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THE PLANNING, PROGRAMMING, AND BUDGETING
SYSTEM IN THE UNITED STATES COAST GUARD:
A VEHICLE FOR SELECTIVELY DECENTRALIZED
MANAGEMENT

by

LAWRENCE GRAHAM

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by

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of Business Administration

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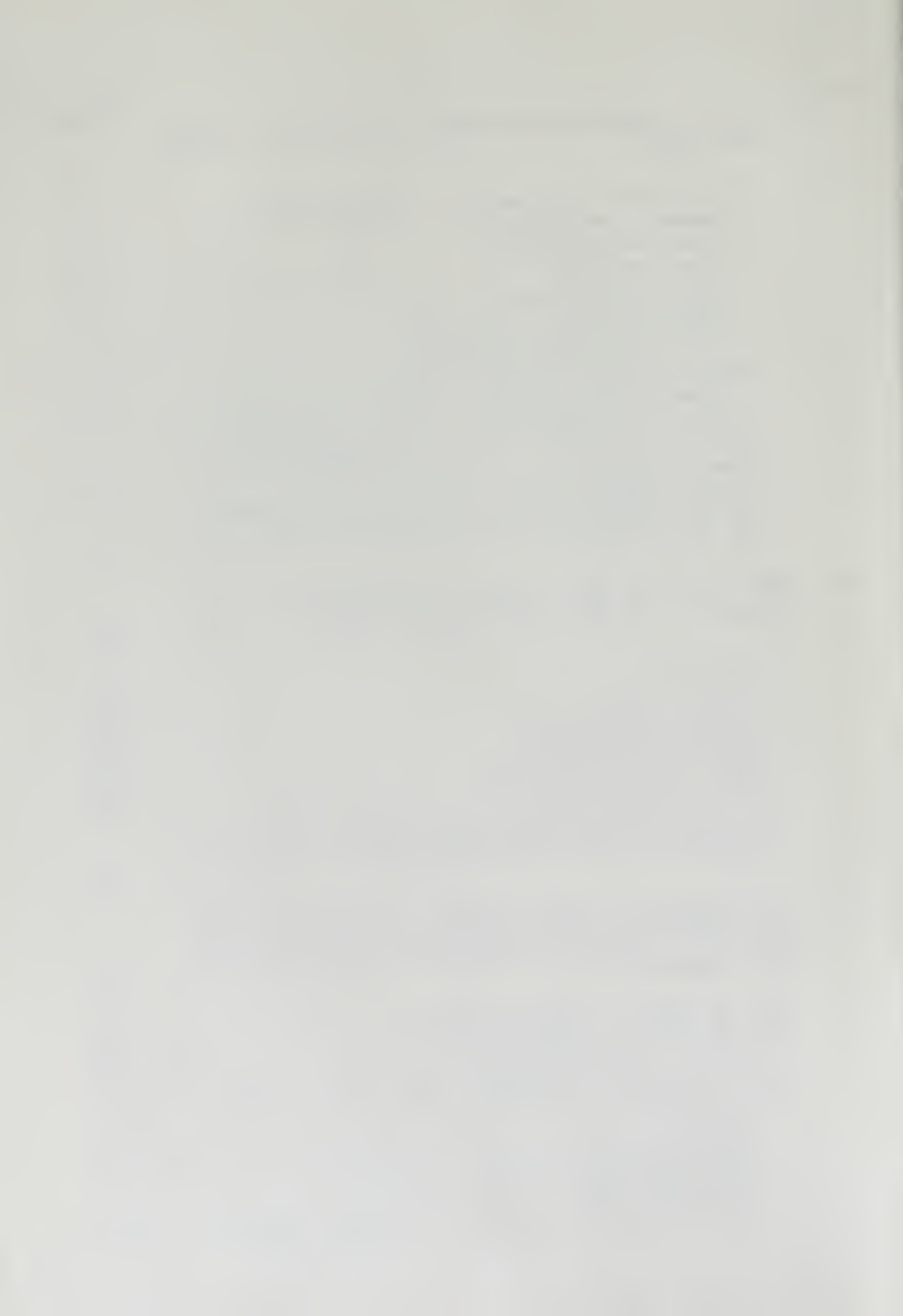
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CHAPTER I

INTRODUCTION

"It is always important, and perhaps especially so in economics, to avoid being swept off one's feet by the fashions of the moment."¹ In our Federal Government, program budgeting or the Planning, Programming, and Budgeting System is more than a fashion of the moment, although it is frequently cast in that role. President Lyndon B. Johnson gave this impression in his August 25, 1965 speech when he asked the Cabinet and the heads of Federal agencies to

. . . introduce a very new and revolutionary system of planning and programming and budgeting throughout the vast Federal Government, so that through the tools of modern management the full promise of a finer life can be brought to every American at the lowest possible cost.²

¹"Cost Benefit Analysis: A Survey," The Economic Journal, December 1965, p. 383.

²U. S., President. "Statement by the President to Members of the Cabinet and Heads of Agencies, August 25, 1965." Weekly Compilation of Presidential Documents, August 30, 1965, p. 141.



Although the use of such terms as "new and revolutionary"¹ do make the Planning, Programming, and Budgeting System appear to be one of the "fashions of the moment,"² it is neither new, revolutionary, nor a fashion. Prior to the President's speech, there had been isolated and intermittent movements toward program budgeting in the Federal Government. For example, "as early as 1912 the Taft Commission on Economy and Efficiency stressed the importance of budgeting in accordance with the subjects of work to be done."³ Later, "in 1946 the Navy Department presented its fiscal year 1948 budget both on traditional object basis and on a program basis."⁴ In 1949, the Commission on Organization of the Executive Branch of Government called for the Federal Budget to "be refashioned by the adoption of a budget based upon functions, activities, and projects: this we designate a 'performance budget.'"⁵

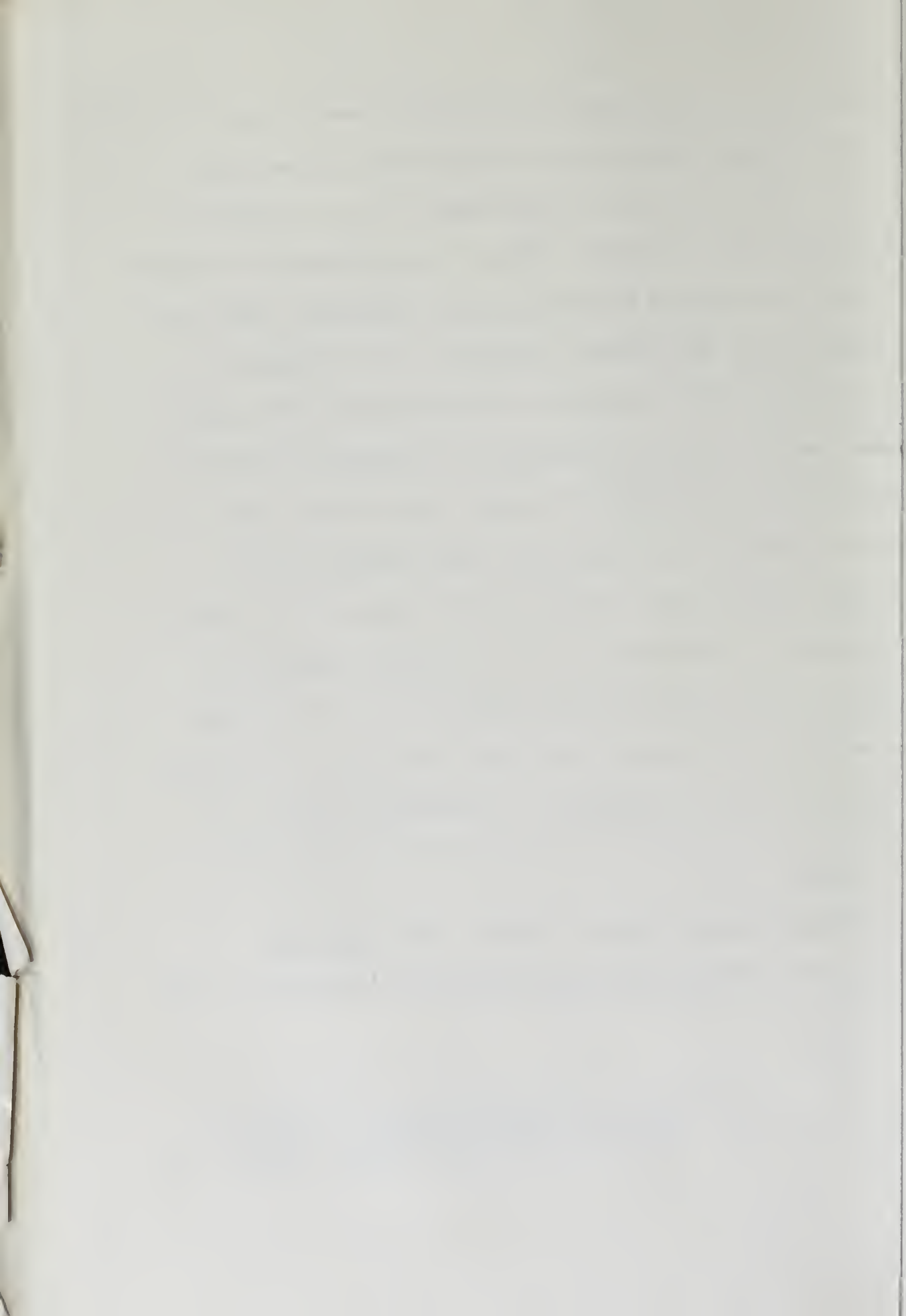
¹Ibid.

²The Economic Journal, December 1965, loc. cit.

³Jesse Burkhead, Government Budgeting (New York: John Wiley & Sons, Inc., 1956), p. 134.

⁴Ibid.

⁵U. S., Commission on Organization of the Executive Branch of Government, Budgeting and Accounting: A Report to Congress (Washington: Government Printing Office, 1949), p. 8.



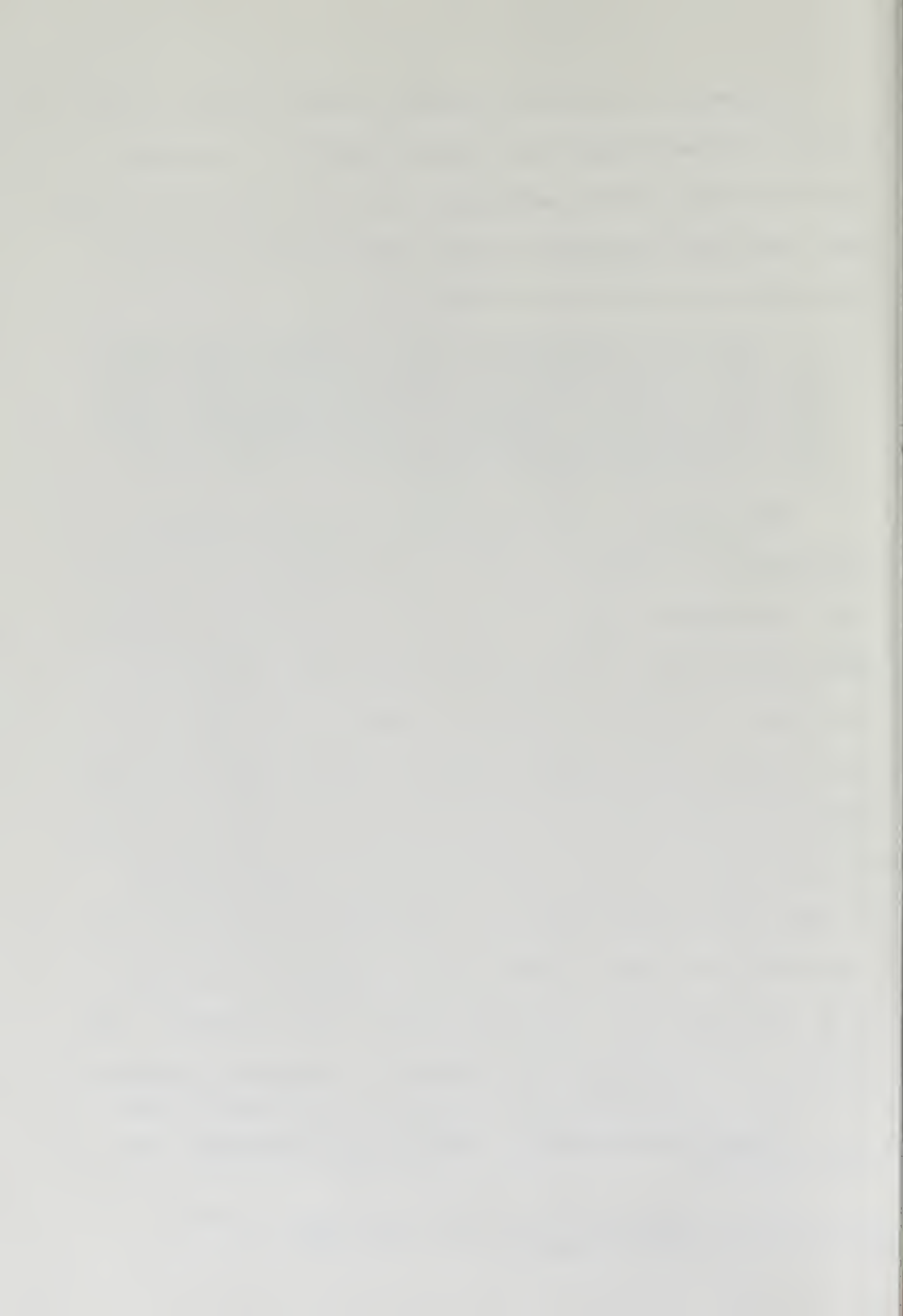
Instead of presenting a revolutionary fashion of the moment, President Johnson was simply adding his endorsement to those of others for the implementation of the Planning, Programming, and Budgeting System in the Federal Government when he called upon each Cabinet and agency head to

. . . set up a very special staff of experts who, using the most modern methods of program analysis, will define the goals of their department for the coming year. And once these goals are established this system will permit us to find the most effective and least costly alternative to achieving American goals.¹

The budget for the fiscal year 1969 was formulated for presentation to Congress in the "integrated Planning, Programming, and Budgeting System"² as well as the traditional object classification form, which indicates what the government is to purchase. The basic difference between the traditional object budget and the program budget is the refocusing of consideration from inputs such as material and services to outputs defined in terms of goals and objectives or specified end products. The program budget is concerned with specific programs which have been designed to meet carefully determined goals and objectives. Total implemental of the Planning, Programming, and Budgeting System depends on Congress's acceptance

¹Weekly Compilation of Presidential Documents, August 30, 1965, loc. cit.

²U. S., Bureau of the Budget, Bulletin No. 68-2, Planning-Programming-Budgeting, July 18, 1967, p. 1.



of the Federal Budget in the program form for making its appropriations. While Congress continues its investigation of the advantages and disadvantages of this budget system, the Executive Branch, already committed to its adoption, began implementing it by first formulating national goals and objectives. The President indicated that our national goals should be to find

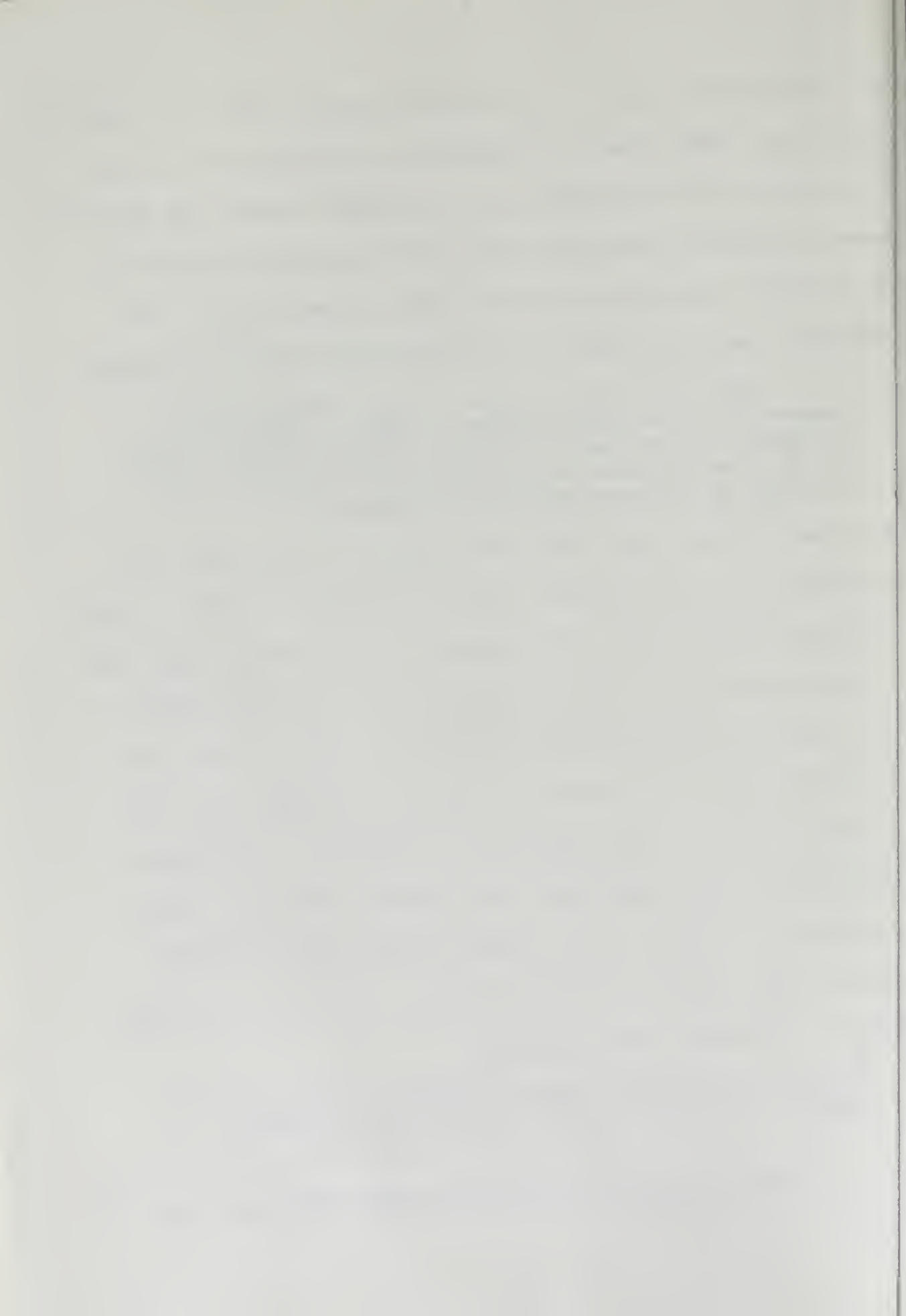
. . . new ways to do new jobs, faster, better, less expensively; to insure sounder judgement through more accurate information; to pinpoint those things we ought to do less; to make our decision-making process as up to date as our space exploring equipment.¹

Once the national goals were established and translated into department and agency goals, specific programs could be designed to fulfill these goals. The progress of any program could then be determined at any time by comparing the actual performance level with the predetermined and projected goals. This gave management within the executive branch an important tool for the administration and control of its agencies. Furthermore, when programs were translated into current and future budget projections, resources could be more effectively allocated.

Stressing the value of program budgeting, Bureau of the Budget Director, Charles L. Schultze said,

The new planning-programming-budgeting system will be capable of making a major contribution to greater

¹Weekly Compilation of Presidential Documents, August 30, loc. cit.



efficiency in the allocation of resources, and thus will increase the benefits derived from the Government's many activities. It will provide the information and the analysis needed by Government managers as the basis for an improved ability to make rational choices among the alternatives offered.¹

Thus the Planning, Programming, and Budget System can be a major factor in effective administration and operation of the various Federal departments and agencies within the executive branch. A study of the particular problems of the United States Coast Guard is an illustration of a case in point.

In 1961, the United States Coast Guard² undertook a series of studies to determine its program objectives in order to facilitate its long-range planning and budgeting. At that time the Coast Guard operated under the Department of the Treasury and it was Douglas Dillon, then the Secretary of the Treasury, who heralded the need for an integrated system of planning, programming, and budgeting in the Coast Guard in his statement:

Ever since assuming my duties as Secretary of the Treasury in January 1961, I have been concerned about the critical problem facing the United States Coast Guard because of obsolescence of much of its equipment and facilities. A review of long-range requirements

¹Werner Z. Hirsch, "Toward Federal Program Budgeting," Public Administration Review, (December, 1966), p. 259.

²Hereafter, the term "Coast Guard" is used and unless otherwise noted refers to the United States Coast Guard.



for vessels, shore stations, and aircraft indicated a need for a phased program of capital expenditures totaling more than \$1 billion in order to provide adequate operating tools for the men of the Coast Guard.¹

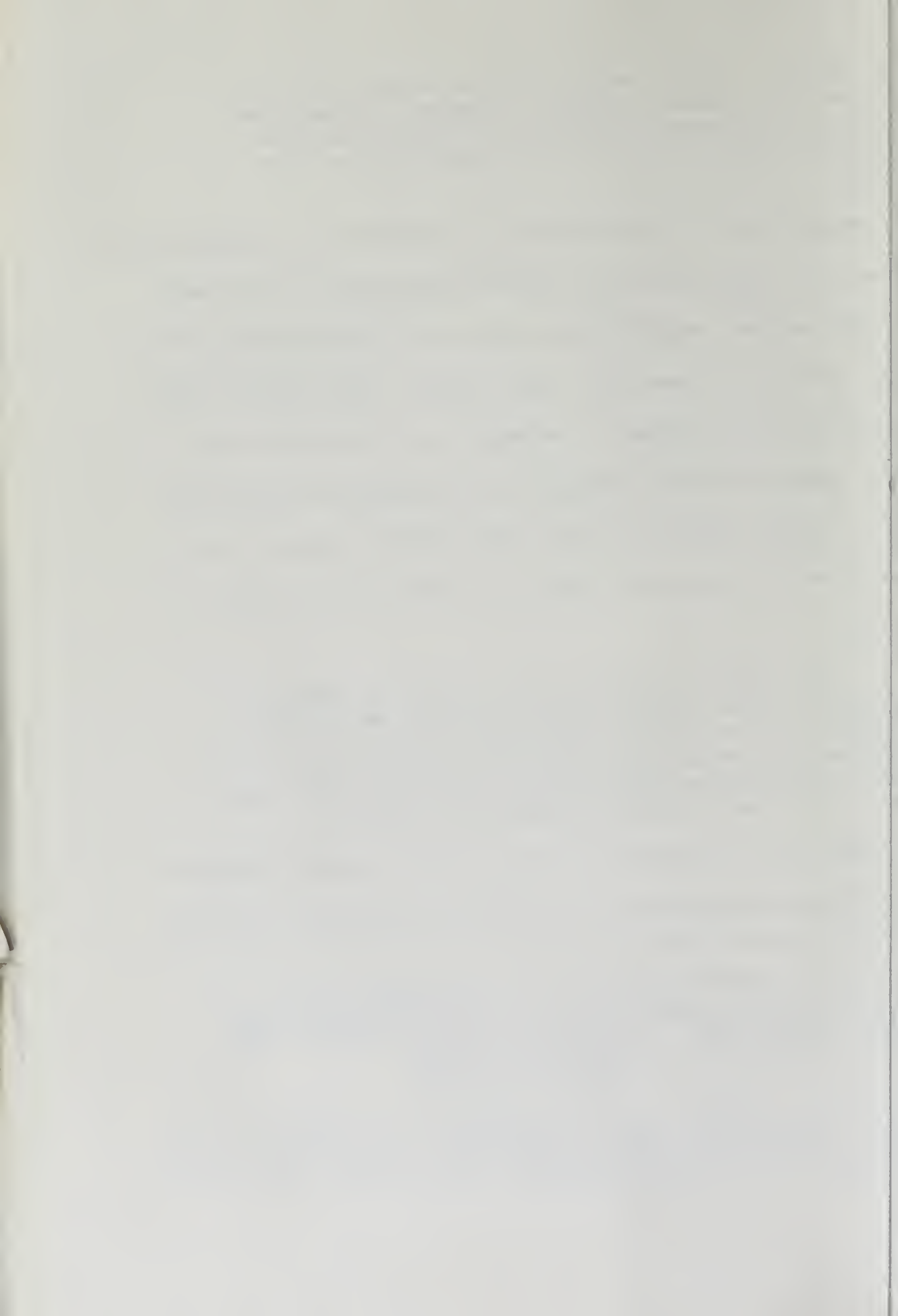
The dilemma facing the Coast Guard as expressed in the Secretary's statement is underscored by a closer examination of the facts. First, the capital expenditures made by the Coast Guard in the ten year period of fiscal year 1952 through 1961 was less than two hundred million dollars. Secondly, as disclosed in the House of Representatives Appropriations Subcommittee hearings in 1961, a great majority of the Coast Guard's vessels, both large and small, were built during or prior to World War II. In addition,

. . . over thirty percent of the buildings comprising the shore plant are over fifty years of age while a sizeable portion of the remaining structures are of a temporary construction erected during World War II to meet the immediate needs of that period and designed for a life span of approximately ten years.²

These conditions of obsolescence and overage capital equipment in the indicated proportions would definitely impair the Coast

¹U. S., Treasury Department, U. S. Coast Guard: A Study of its Origin, Responsibilities, Relationships and Direction, (Washington: Government Printing Office, 1963), p. 1. Cited hereafter as Coast Guard Study.

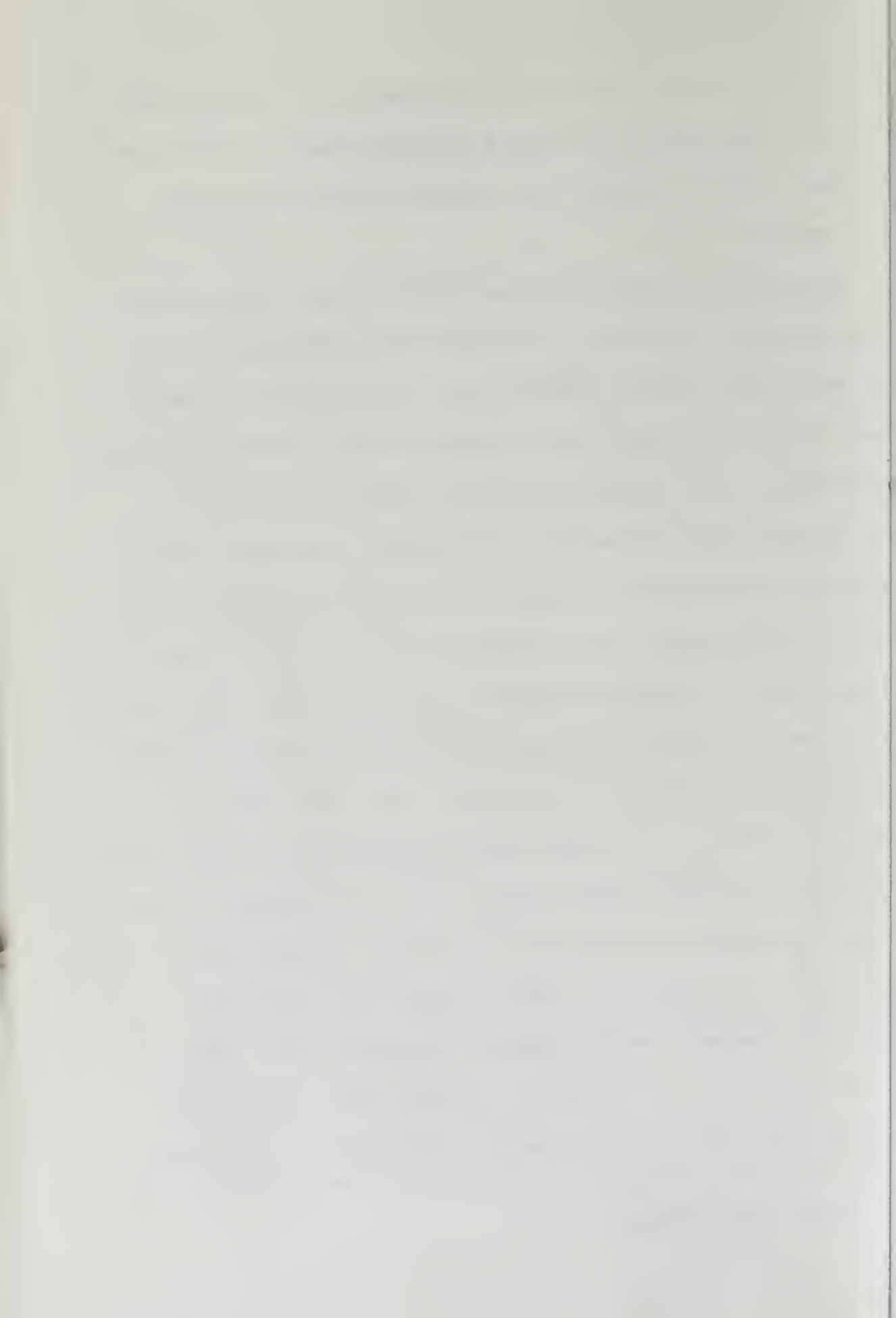
²U. S., Congress, House Subcommittee on Appropriations, Hearings, Treasury-Post Office Departments and Executive Office Appropriations for Fiscal Year 1962, 87th Congress, 1st Session, 1961, p. 522.



Guard's ability to meet its future requirements. The critical need for the replacement of capital equipment was not only clear to the Coast Guard but also to the Treasury Department under which it operated.

Although the Coast Guard and Treasury Department viewed the situation with unanimity, the problem of obtaining the required funds from Congress loomed larger than might be expected. The very size of the expenditures required, when compared to past appropriations, would require elaborate justification for a usually economy minded President and Congress. Not only would the need for the equipment in question have to be supported by evidence of obsolescence and advanced age but also by planned objectives and the programs designed to achieve these objectives. However, a major obstacle prevented the Coast Guard from immediately presenting its plight to Congress: the objectives and programs or missions of the Coast Guard had never been delineated. The first time in Coast Guard history that its "responsibilities, functions, and spheres of activity"¹ were ever defined was in the 1949 Title 14 of the U. S. Code. Though well received at the time, this document merely spelled out Coast Guard responsibility and authority. "It told the service what it had to do but left all the details of operation, programming, and funding

¹Coast Guard Study, p. 6.



to be worked out by the Coast Guard and its multitude of co-operating agencies."¹ But the ensuing years saw no properly documented formulation of overall Coast Guard policy guidelines. Therefore, when the critical situation developed in 1961, neither the Commandant of the Coast Guard, the Director of the Bureau of the Budget, nor the Secretary of the Treasury were in a position to make the major policy decisions that were necessitated by the growing size and complexity of Coast Guard operations and the obsolescence of its vessels, aircraft, and shore stations.

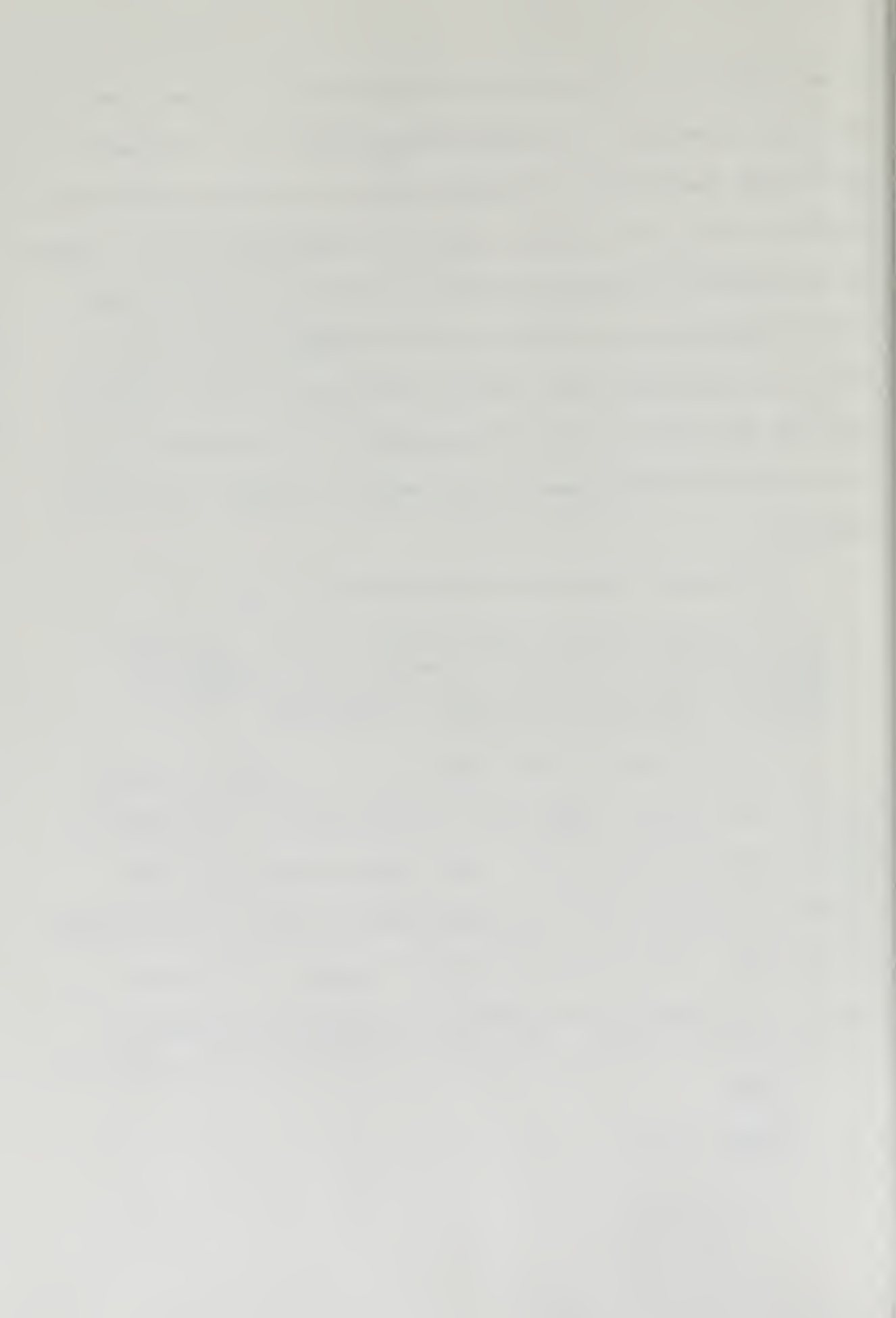
To correct this situation Secretary Dillon

. . . concluded that a comprehensive study of the Coast Guards roles and missions, together with a review of existing policy and operational guidelines, would be helpful in deciding our course of action.²

A study committee was appointed with members from the Bureau of the Budget, Department of the Treasury, Department of Defense, and the Coast Guard. The committee evaluated the statutory authorities of the Coast Guard as well as its programs and functions "so as to facilitate and improve the accuracy of long-range planning and to provide the proper background for

¹Ibid.

²Ibid., p. i.



budgetary justification."¹ The report containing eighty recommendations was submitted to the Secretary of Treasury in June 1962.² With its roles and missions now clearly defined, the Coast Guard had the necessary prerequisites to implement an integrated Planning, Programming, and Budgeting System as a tool for modernizing and equipping itself to meet its present and future operating requirements and challenges.

Research Question

It shall be the purpose of this paper to examine and evaluate the Planning, Programming, and Budgeting System in the United States Coast Guard. In this examination and evaluation the following related questions will be discussed.

Research Question. What is the potential of the Planning, Programming, and Budgeting System as a tool of Coast Guard management?

Subsidiary Questions. (1) How and why did a Long-Range Planning System develop in the Coast Guard? (2) How and why did an integrated Planning, Programming, and Budgeting System

¹U. S., Treasury Department, Study of the United States Coast Guard: Project Prospectus, (not dated).

²U. S., Treasury Department, Study of Roles and Missions of the United States Coast Guard: Report to the Secretary, June 1962 (7 vols.; Washington: Government Printing Office, 1963), cited hereafter as Roles and Missions Study.

develop in the Coast Guard? (3) What has been the impact of the Planning, Programming, and Budgeting System on the Coast Guard?

The role of Coast Guard program management will be examined and evaluated in terms of what Newman and Summer call, "The Process of Management."¹ It will be evaluated on the basis of: (1) Organization, which will include both the structural design and the human factors; (2) Planning, which will include the decision-making process and the formulation of objectives and programming strategy; (3) Leadership and its role in program success; and (4) Measurement and control in program administration.

Data for this paper has been collected through library research, internal document research at the U. S. Coast Guard Headquarters, Washington, D. C., and through interviews with personnel from the Bureau of the Budget, General Accounting Office, and U. S. Coast Guard Headquarters. The cut-off date for data collection was made on January 10, 1968. Interviews made after that date were concerned with events occurring prior to January 10, 1968.

In order to fulfill the aforementioned purpose of this study, this paper is organized according to the following plan.

¹William H. Newman and Charles E. Summer Jr., The Process of Management (Englewood Cliffs, New Jersey: Prentice-Hall Inc., 1961), p. iv.

Chapter II is designed to give the reader an understanding of what the Coast Guard is and what it does by tracing its historical growth and will provide the necessary background information for the study of the structural organization of the Coast Guard which is presented in Chapter III. Chapter III also describes the responsibility and authority relationships which are invaluable in understanding the Planning, Programming, and Budgeting System for management in the Coast Guard. Chapter IV will examine the need for and growth of planning in the Coast Guard. The development of Coast Guard programs and program budgeting in the Coast Guard will be discussed in depth in Chapter V. With the preceding chapters as a foundation, Chapter VI will go on to evaluate the impact of the Planning, Programming, and Budgeting System on the Coast Guard. Chapter VII, following the guidelines of The Process of Management, discusses the real and yet untapped potential of the Planning, Programming, and Budgeting System. The eighth and final chapter will be a summary directed at answering the subsidiary questions, and will conclude with the author's recommendations that have grown out of this study.

CHAPTER II

HISTORY OF THE UNITED STATES COAST GUARD

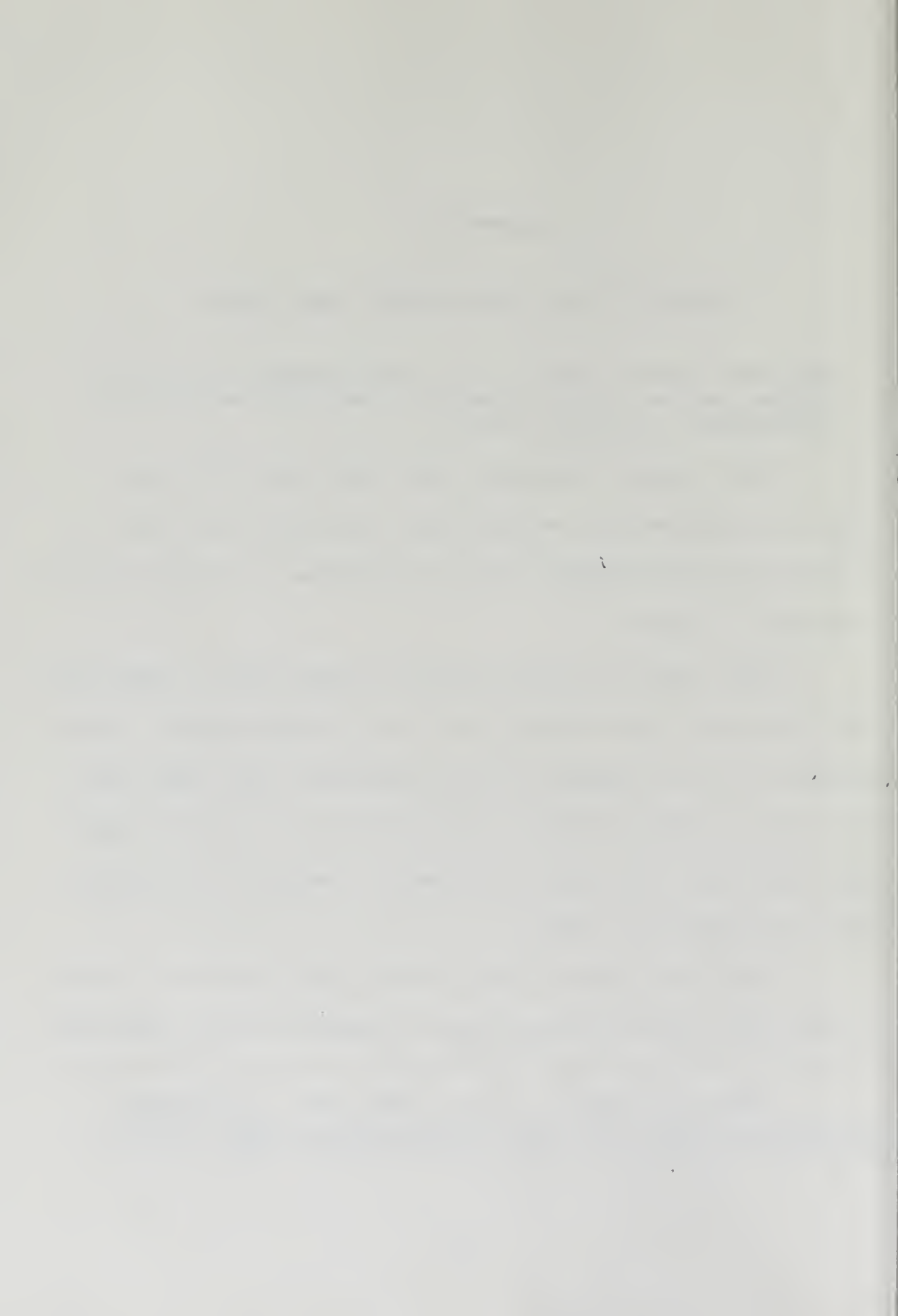
The Coast Guard, a part of the Armed Forces of the United States, is the principal federal agency for maritime law enforcement and marine safety.¹

This succinct statement taken from one of the many historical publications written about the Coast Guard describes an agency of the government that is dedicated to serving humanity in war and in peace.

This chapter will provide the reader with an understanding of what the Coast Guard is and what it does through a brief examination of its history. This examination will begin with the origin in 1790 of what is known today as the United States Coast Guard and will trace its growth in authority and responsibility to January 10, 1968.

Since the factual growth of the Coast Guard is a matter of historical record substantiated in numerous public documents,

¹Captain Stephen H. Evans, USCG (Ret.), The United States Coast Guard 1790-1915, A Definitive History (Annapolis, Maryland: The United States Naval Institute, 1949), p. ix.



this author will take the liberty of omitting continuous reference to the source of these historical facts.

The Revenue-Marine Service

On August 4, 1790, one year after his inauguration as first President of the United States, George Washington signed into law an act creating the Revenue-Marine Service to operate under the Department of the Treasury. The purpose of the Service was the enforcement of the new nation's protective and income producing tariff laws and the prevention of smuggling along the vast unprotected eastern seaboard. Alexander Hamilton, in his capacity as the Secretary of the Treasury, had pressed for the passage of this act which called for the construction of "ten armed revenue cutters, small, swift, and manned by stout American sailormen unafraid of man or weather."¹ These ships were built and completely equipped at a cost of "one thousand dollars"² each and were stationed along the east coast of the United States between New Hampshire and Georgia. Through their continuous patrolling, boarding, and checking of cargoes of incoming

¹Howard V. L. Bloomfield, The Compact History of the United States Coast Guard (New York: Hawthorn Books, Inc., 1966), p. 4.

²U. S. Coast Guard, Coast Guard History (CG-213), Washington, D. C.: U. S. Government Printing Office, 1958), p. 2.

vessels, the Revenue-Marine Service cutters¹ became an effective deterrent against smuggling. Their success can be recognized in the fact that by 1796 America's foreign debt had been paid and "92 percent"² of the nation's income was coming through the Collector of the Customs. These impressive results were achieved under Secretary of the Treasury Hamilton, because he kept his fleet continuously on the move by having them collect information about the coast, inlets, bays, and rivers and was kept in touch with the fleet's movements by the frequently required reports on the navigational information which the cutters collected. Thus, the activity of aiding navigation began as a means for Hamilton to exert closer control over his fleet and achieve his main purpose: the prevention of smuggling. Today this is one of the most important functions of the Coast Guard; it is around the nucleus of the Revenue-Marine Service that the modern Coast Guard has been built.

The first additional duty given to the Revenue-Marine Service pertained to the enforcement of quarantine laws of the United States. The Act of February 23, 1799 imposed no specific

¹The boats and Ships of the service have been called "cutters" since the origin of the Revenue-Marine Service in 1790.

²Bloomfield, op. cit., p. 11.

duties on the Service other than its requirement that the Service observe all such laws and render such aid as may be directed by the Secretary of the Treasury. Broadly worded acts like this one have provided the legal basis for many additional duties given to the Service in later years.

On March 2, 1799, Congress empowered the President with the discretion of placing the Revenue-Marine Service under the orders of the newly created Department of the Navy. Since that time, the Revenue-Marine Service and the Coast Guard, as it later became known, served in the Treasury Department in time of peace and in the Navy during national emergency and time of war. When the Service is incorporated into the Navy, it must continue performing its peacetime functions as well as joining in the war-time activities with the Navy. The first time the Revenue-Marine Service operated under the Navy was during the quasi-French war in which it participated actively against French privateers and coastal raiders from March 2, 1799 until February 3, 1801. The interval between the war with France and the War of 1812 saw the Revenue-Marine Service enforcing the provisions of the Embargo and Non-Intercourse Acts. During the War of 1812 nine cutters of the Revenue-Marine Service fought as an effective arm of the Navy in achieving a sea victory over the British, capturing or sinking fourteen enemy ships.



No sooner was the War of 1812 over and the Service was again operating under the Treasury Department than it was fighting its own war against pirates and slave ships. Though not specifically named in the Neutrality Act of 1818, the Revenue-Marine Service became the government's agent in enforcing the provisions of the act at sea. In 1836, eight Revenue-Marine ships were ordered to Florida where the Seminole Indians were on the warpath and arrived in time to land men and guns to save Fort Brooke. This was the Service's first amphibious landing and it anticipated by more than one hundred years similar operations which the Coast Guard later performed in World War II.

In 1837, Congress passed an act which gave basic authority and responsibility to the Revenue-Marine Service for assisting vessels in distress. This act called for public vessels to take to sea in severe weather fully prepared "to render such aid to distressed navigators as their circumstances may require."¹ From this simple mandate has grown the complex operations of the modern Coast Guard search and rescue program.

¹U. S., Congress, House of Representatives Document No. 670, 62nd Congress, 2nd Session, Message of the President of the United States Transmitting: Reports of the U. S. Presidents Commission on Economy and Efficiency. April 4, 1912, p. 290. Cited hereafter as Report on the Presidents Commission on Economy and Efficiency.

The Revenue-Marine Bureau

On April 12, 1843, Treasury Secretary John Spencer named Captain Alexander V. Frazer, Chief of the Revenue-Marine Service and also elevated the Service to a bureau status within the Treasury Department. The bureau became known as the Revenue-Cutter Service and was organized along lines somewhat similar to those of the present day Coast Guard. The new bureau operating under Captain Frazer was composed of accounting, engineering, personnel, operations, intelligence, and legal branches. It was also about this time that the Revenue-Cutter Service began modernizing its operations by building new ships with iron hulls and steam power plants.

For the Revenue-Cutter Service, the coming of the Civil War meant a great expansion of the scope and nature of its operations. Invoking the Act of March 2, 1799, President Lincoln ordered many of the Service's cutters into combat duty in cooperation with the Navy. Cutters assigned to naval forces helped to achieve Federal objectives in the war at sea. In general, these were the "economic isolation of the South by blockade and by seizure of Confederate shipping, and provision of naval support for Union military ventures."¹ After the close

¹U. S. Coast Guard, The U. S. Coast Guard and the Civil War (CG-381), (Washington, D. C.: U. S. Government Printing Office, 1964), p. 3.



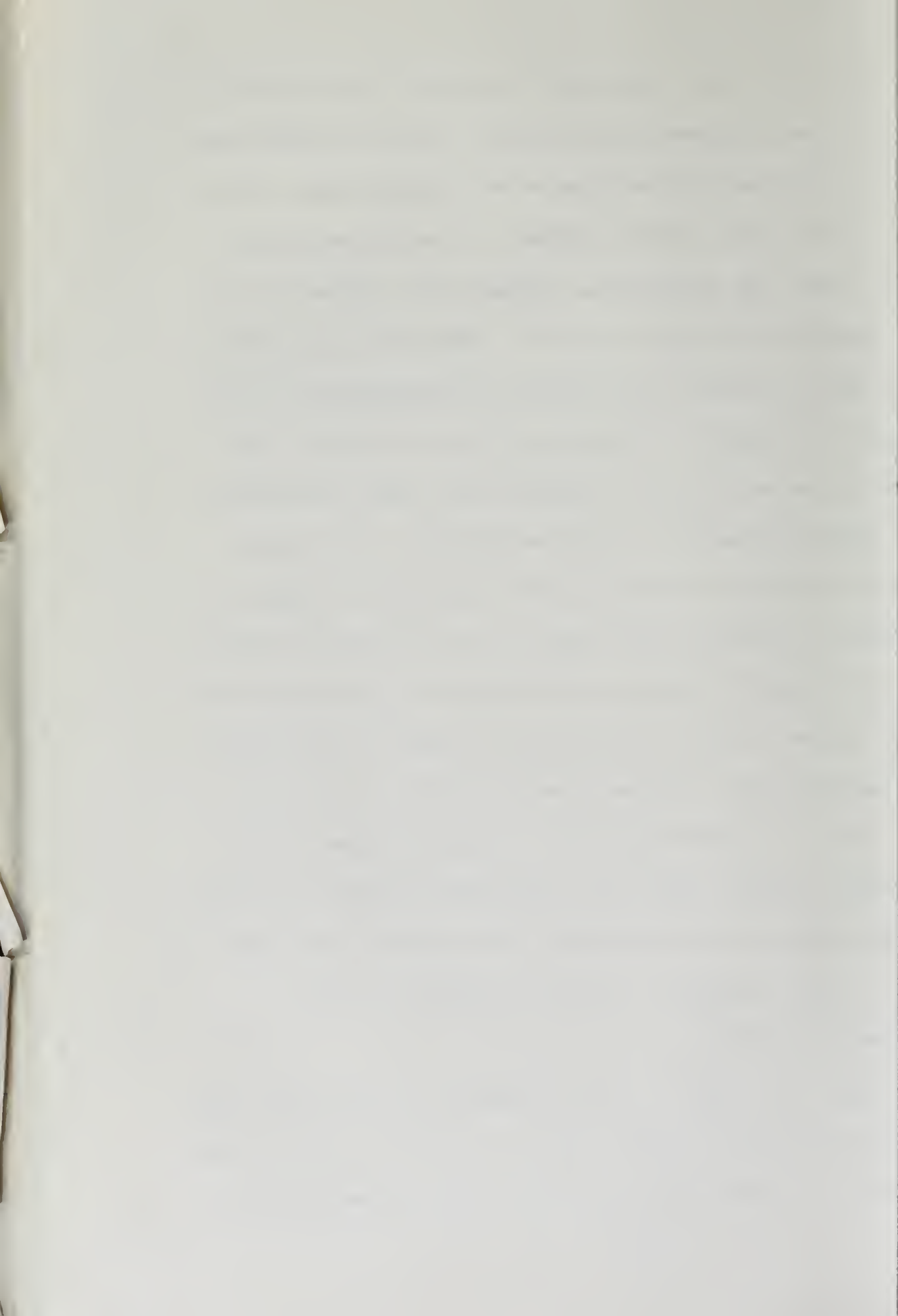
of the Civil War the Service enjoyed a lengthy period of peace, interrupted only by the Spanish-American War in which Revenue Cutters saw action in the Battle of Manila Bay and various naval battles off the coast of Cuba.

Enforcement of the Immigration Act of 1862 firmly established the Service on the Pacific Coast in its initial duty to halt the illegal immigration of what the act called "coolies." Cutters had originally come to the west coast in 1849 to help establish law and order in San Francisco when gold brought the "Forty-Niners." West Coast activities increased further in 1868 when Congress made the Service responsible for the protection of Seal Fisheries and Sea Otter hunting grounds in Alaska and the suppression of illegal traffic in firearms, ammunition, and spirits in Alaska.

As the years passed, the Revenue-Cutter Service's scope of authority and responsibility continuously broadened with the enactment of each succeeding law or regulation. The Act of March 3, 1885 called for cutters to assist the Commissioner of Fish and Fisheries in his duties for the propagation of food fishes in the waters of the United States. On June 14, 1906, Congress prohibited aliens from fishing in the waters of Alaska and specifically called for Revenue-Cutter Service enforcement. On June 20, 1906, the Service was charged with regulating the

landing, delivery, cure, and sale of sponges in the Gulf of Mexico. In 1888, Congress empowered the Service to prescribe rules and regulations for anchorages on certain lakes, inland waterways, and in the coastal regions of the United States. On May 19, 1896, the Service was charged with regulating and policing regattas and marine parades. Under the Act of June 7, 1902, the Service joined the Secretary of Agriculture in protecting game in Alaska. In the area of Marine safety, the Service was directed in 1906 to destroy and remove derelicts and other floating menaces to safe navigation. The Act of June 9, 1910 provided the Service with authority to regulate the equipment of certain motor boats on the navigable waters of the United States. Revenue-Cutter Service regulations also called for cutters to act as necessary to suppress mutinies on merchant vessels and to protect wrecked public and private property. Thus, the activities and responsibilities of the Revenue-Cutter Service, like its predecessor the Revenue-Marine Service, grew broader in nature with the pressures and needs of the times. A most graphic illustration of this is the International Ice Patrol.

On April 15, 1912, fifteen hundred lives were lost when the largest ship in the world, the S. S. Titanic, on her maiden voyage struck an iceberg off the Grand Banks of Newfoundland.



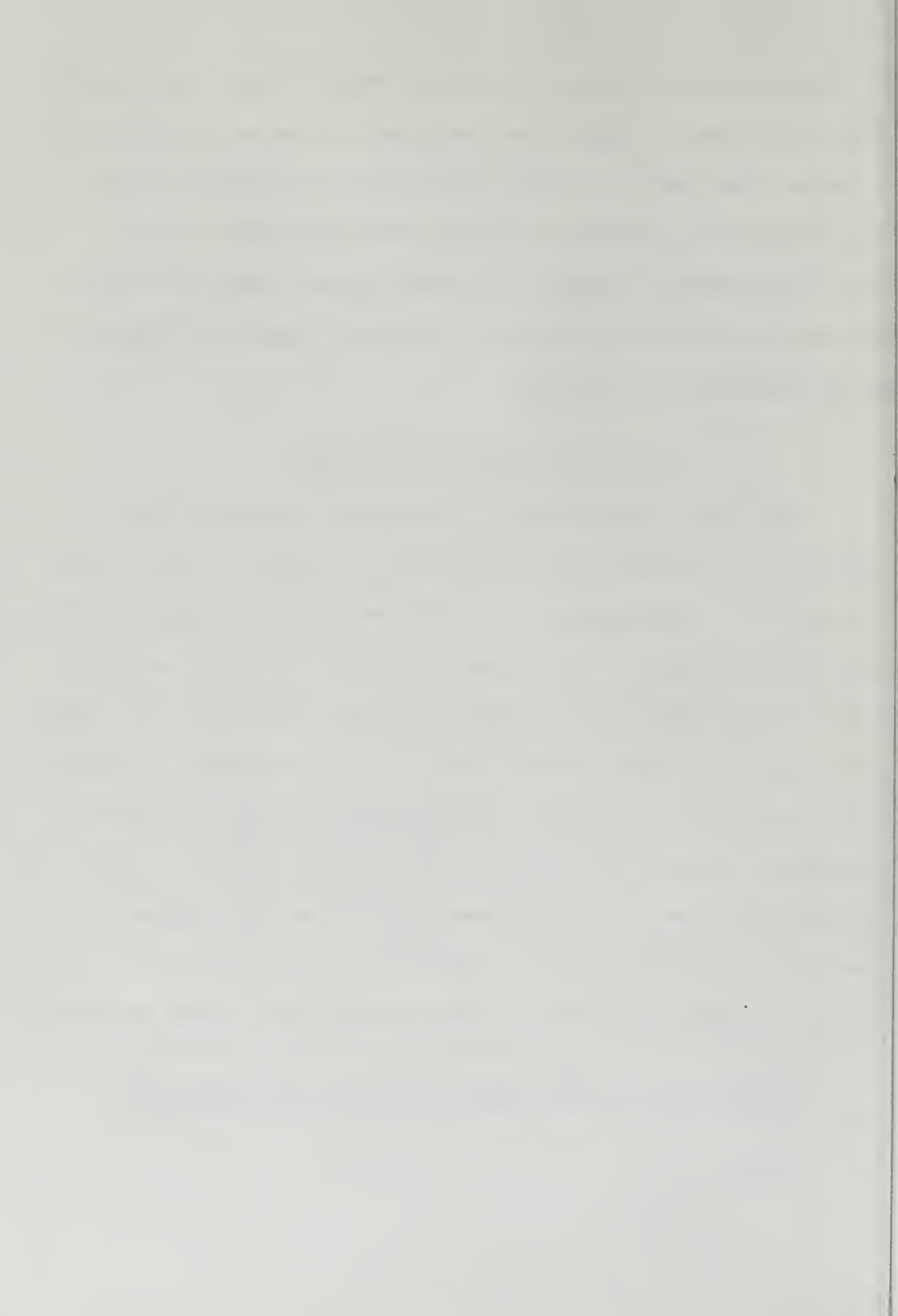
The following year Treasury Secretary McAdoo ordered the Cutters Seneca and Miami to patrol the ice lanes and issue ice warnings by radio. The results of this effort were so impressive that they prompted an agreement among the North Atlantic nations to share the financial burden of an annual patrol and to designate the Revenue-Cutter Service as the permanent operating agency of the International Ice Patrol.

The United States Coast Guard

In 1912, the President's Commission on Economy and Efficiency recommended the disbanding of the Revenue-Cutter Service and the transferring of its officers, men, and ships to the "Naval Establishment."¹ The Commission felt that the functions of the Service could thus be performed more efficiently and effectively and at a lesser over-all cost to the government. Friends of the Service, both in and out of government called instead for an amalgamation with the Treasury Department's Lifesaving Service. The Lifesaving Service was created in 1847 for the purpose of "rendering assistance to the shipwrecked from the shore."² It operated a system of lifeboat stations along the shores to assist

¹Report on the Presidents Commission on Economy and Efficiency, p. 338.

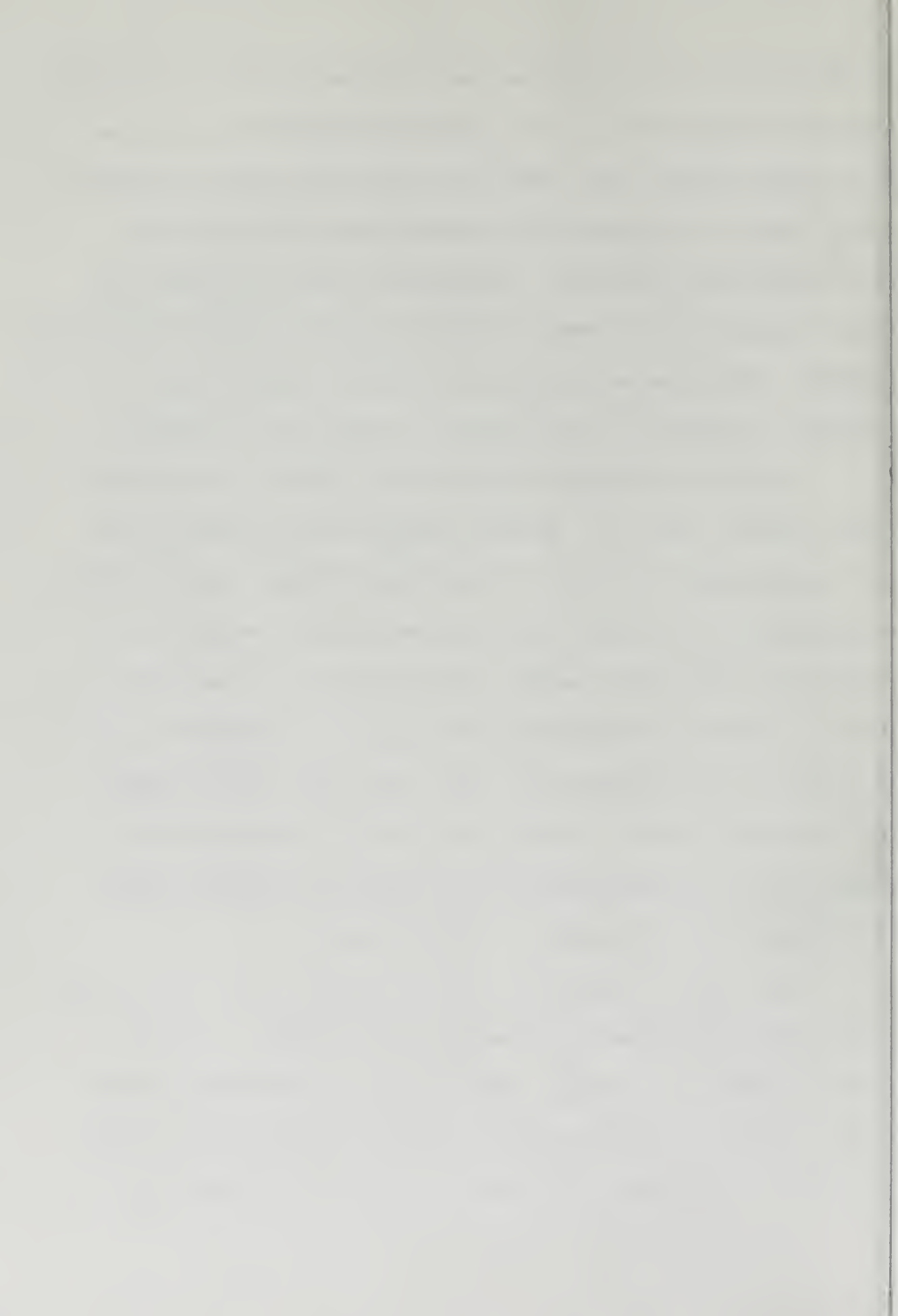
²Ibid.



shipwrecked mariners. Congress had originally made the Treasury Department responsible for the lifeboats and stations, and in later appropriations acts specified that Revenue-Marine officers should inspect and approve the establishment of Lifesaving Service boats and stations. Consequently, over the years the Lifesaving Service and Revenue-Cutter Service, although officially divorced, found themselves working together more and more in providing assistance to the mariner in danger or in trouble.

During the deliberations over the fate of the Revenue-Cutter Service, the S. S. Ontario caught fire and was beached near Montauk Point, New York. The Cutters Mohawk and Achushnet cooperated with the Ditch Plain Lifesaving Service Station in a thrilling rescue that caught the imagination of the public. Editorial reaction strengthened the hand of the supporters of the Service and on January 28, 1915, President Wilson signed into law an act which, in combining both the Revenue-Cutter Service and the Lifesaving Service, created the United States Coast Guard of the Department of the Treasury.

Just as the Revenue-Marine Service and later the Revenue-Cutter Service had been directed by the President in time of national emergency or war to serve under the Secretary of Navy, so was the newly established Coast Guard called to do so during World War I. The Coast Guard was in the thick of naval actions,



convoying cargo ships and screening troop transports from the dangers of enemy submarines. In addition to meeting its peacetime responsibilities on the homefront during the war, "personnel of 280 lifeboat stations patrolled the coast and twenty-five cruising cutters patrolled offshore"¹ as a wartime measure.

After the war, the Coast Guard faced the difficult task of enforcing at sea the Prohibition law as set forth in the Eighteenth Amendment to the Constitution. Once again, the prevention of smuggling became a major responsibility and required a considerable expansion of the Coast Guard's surface force to cope with this situation. However, this time the Coast Guard was able to take advantage of modern technological advancement and employed the use of aircraft to support its surface vessels in combating the Rum Runners. Once the value of the airplane was proven, it stimulated the development of an extensive and well integrated air arm which plays a prominent role in every facet of present day Coast Guard activities.

On June 22, 1936, Congress closed the legal loopholes in the Coast Guard's law enforcement authority which had been built up over the years in a piecemeal fashion through a wide variety of legislative acts. The Coast Guard was given an all

¹Captain W. C. Hogan, USCG (Ret.), The Coast Guardman's Manual, (Annapolis, Maryland: The United States Naval Institute, 1952), p. 12.

encompassing authority when it was officially designated as the federal arm for the enforcement of United States laws on the high seas and on the navigable waters of the United States.

When Congress authorized the consolidation of Federal agencies concerned with the prevention of marine disasters, President Franklin D. Roosevelt directed that the Lighthouse Service be integrated into the Coast Guard. This transferred the Lighthouse Service from the Department of Commerce to the Treasury Department. With this consolidation the Coast Guard assumed responsibility for lighthouses, lightships, buoys, and an assortment of other floating and shore structures used as navigational aids. This program has grown into one of major significance for the Coast Guard since it presently maintains approximately 39,000 aids to navigation. This includes more than 500 manned lighthouses, 25,000 buoys, and almost 9,000 unmanned lighthouses, radio beacons, and fog signals.

Responsibility for the supervision and regulation of motorboats and other small craft came to the Coast Guard under the Motorboat Act of 1940 and the Federal Boating Act of 1958. These acts required registration of motorboats and the boarding and inspection of small boats by the Coast Guard to enforce safety standards. The rapid growth of pleasure boating in recent years has placed an even greater responsibility on the Coast

Guard. In 1967, there were an estimated eight million small boats and pleasure crafts in the United States as opposed to one million in 1940. With its voluntary membership, the Coast Guard Auxiliary, which was formed in 1941, assists the Coast Guard with boating education and rescue work.

During World War II, the Coast Guard was once again transferred to the Department of Navy and saw action in every theater and in every major sea and landing operation. In addition to manning thirty destroyers, seventy-five patrol frigates, and ten submarine chasers of its own, the Coast Guard manned 351 Naval vessels and 288 Army vessels. At the same time, while performing its normal peacetime duties, the Coast Guard conducted port security operations to enforce the Espionage Act of 1917 and the Dangerous Cargo Act of 1941. As a consequence of its involvement, the Coast Guard suffered greater losses in proportion to its strength than any other armed force of the United States in World War II.

The Coast Guard returned to the Treasury Department in January, 1946, and six months later the President made permanent the temporary wartime transfer of the Bureau of Marine Inspection and Navigation to the Coast Guard. This additional increase in responsibility required that the Coast Guard make (1) thorough periodic inspections of hulls, machinery, and equipment of

merchant vessels to insure seaworthiness and compliance with safety regulations; (2) the approval of plans prior to construction or conversion of merchant vessels; (3) an extensive inspection of all new vessels during construction to insure compliance with approved plans; (4) the licensing and certification of officers and crews; and (5) the investigation of casualties or personnel troubles and the institution of disciplinary action where needed.

That same year, President Truman designated the Coast Guard as the Federal agency charged with providing national search and rescue facilities and fulfilling the obligation of the United States in the International Civil Aviation Organization. The United States participation in this organization requires that it maintain continuous weather patrols on six ocean stations, each ten miles square, along the transoceanic air routes and normally traveled sea lanes in the Atlantic and Pacific Oceans. These ocean stations are patrolled continuously by the largest Coast Guard cutters. These vessels make weather reports, stand airplane radio guard, handle communications and assistance operations, and have effected rescues of distressed ships of all nationalities as well as troubled airliners in the middle of the ocean. The effectiveness of Coast Guard search and rescue operations has increased in recent years through a Coast Guard

developed computerized tracking system of international merchant vessels. Airpower has also extended the Coast Guard's ability in search and rescue operations. Sea operations are supplemented by utilizing the capabilities peculiar to the helicopter and those of the giant flying boats that have a cruising distance of over 1500 miles and can land on the ocean to render aid. Coast Guard search and rescue operations are one of its most dramatic and well known activities.

In 1948 Public Law No. 786 further extended the scope of the Coast Guard's disaster-prevention function by authorizing the service to continue its wartime initiated work of (1) providing aids to navigation for military use outside the continental limits of the United States and (2) operating a world-wide network of Long-Range-Navigation (LORAN), a system of electronic navigational aids. By the end of World War II, there were seventy-five Coast Guard operated LORAN stations. Today both military and civilian seagoing vessels and aircraft depend upon LORAN for their navigational needs.

Since the early 1950's, the Coast Guard has actively assisted the Navy in its polar explorations and in establishing and supplying Distant Early Warning Radar Stations in the Arctic. Both Coast Guard icebreakers and buoy tenders with icebreaking capabilities have been committed to these operations. In the

process of supplying Arctic radar stations, three Coast Guard cutters made the first circumnavigation of the North American continent from West to East. The Coast Guard was given the national responsibility for icebreaking at home and in polar regions in 1966 when the Navy began transferring all of its icebreakers to the Coast Guard.

During the police action in Korea, the Coast Guard, remaining under the control of the Treasury Department, again saw military action as it had in every international conflict involving the United States since 1790.

In the decade of the 1960's, the world situation has placed additional requirements and responsibilities on the Coast Guard. "The appearance of Russian trawlers off the coast of the United States, competing directly with American fishermen, required increased Coast Guard patrols--as much for security reasons as for safety and antismuggling."¹ The continuous flight of refugees from Communist Cuba to the United States, especially since the Bay of Pigs operation, has necessitated increased Coast Guard surface and air patrols off the Florida coast. These patrols have served to assist distressed refugees from Cuba as well as prevent Communist agents from entering the

¹Captain Walter C. Capron, (USCG (Ret.)), The U. S. Coast Guard, (New York: The Watts Seapower Library, 1965), p. 196.

United States. When additional responsibilities like these, which frequently become long term in nature, are placed on the Coast Guard, there has generally been no addition in manpower or vessels and aircraft to cope with the situation. Instead, these responsibilities are divided among already existing units to accomplish in addition to their normal work. This, too, was the situation in 1965 when President Lyndon B. Johnson ordered the Coast Guard to South Vietnam to cooperate with the Navy in preventing the landing of men and arms from disguised fishing craft and the resupplying of Viet Cong guerrillas by fast smuggler boats. Thus, a sizable fleet of Coast Guard cutters halfway around the world is now performing duties similar to those which Alexander Hamilton intended for the original Revenue-Marine Service.

In 1966, President Johnson signed into law an act which created the Department of Transportation. "On April 1, 1967"¹ the new department officially began its operation with the Coast Guard as one of its five major operating divisions. After 178 years of accumulation and assimilation, the service, now known as the Coast Guard, with its approximately 4,000 officers and

¹The United States Department of Transportation, Its Organization and Functions, (Washington, D. C.: U. S. Government Printing Office, 1967), p. 1.



35,000 enlisted men has vast responsibilities and authorities.

However, throughout its varied history its dedication to serving humanity in war and peace was always a constant.

CHAPTER III

THE ORGANIZATION STRUCTURE OF THE UNITED STATES COAST GUARD

The insight gained from tracing the history of the Coast Guard in the preceding chapter and noting the manner in which the Coast Guard's numerous responsibilities and authorities were acquired will help clarify and give perspective to the discussion in this chapter of Coast Guard organization structure and how it is affected by the Planning, Programming, and Budgeting System.

The formal organization structure of the Coast Guard is built upon "the commonly accepted basic principles of organization. These principles have, in fact, established the objectives of Coast Guard organization."¹ The basic principles referred to above are:

1. The Principles of Unity of Command, which requires that each individual in the organization be responsible to only one superior, and be responsible for all elements below him in the scalar chain.

¹U. S. Coast Guard Organization Manual (CG-229), p. x.

2. The Principle of Delegation of Authority, which requires that whenever a subordinate be assigned a responsibility, he, at the same time, be delegated so much authority as will enable him to perform the task attached to the responsibility.

3. The Principle of Homogeneous Assignment, which requires that the delegation of responsibility and authority be clearly defined into like or related fields of endeavor, insofar as possible.

4. The Principle of Span of Control, which requires that the scope and amount of executive direction imposed upon an individual be tempered by a recognition of the limitations of professional ability and knowledge, personality and energy, numbers of individuals to be supervised, time, distance, etc.¹

Strict adherence to these principles, as is the case with the Coast Guard, imposes certain structural requirements within the organization. Such requirements are logical extensions of the basic principles. An example of the nature of these requirements are those that are related to the Principle of Unity of Command:

1. The line of formal authority (chain of command) from top to bottom is clearly defined.
2. Each member of an organization from top to bottom knows (a) to whom he reports, and (b) who reports to him.
3. No member of an organization reports to more than one superior.
4. Within a component of organization the responsibility of higher authority for action of its subordinates is absolute.

¹Ibid.



5. Channels of command are not violated by any individual or by any component.

6. The responsibilities assigned to each component of an organization are well defined in writing and capable of being understood.¹

Thus, these principles and requirements, having been strictly implemented, have shaped the Coast Guard organization structure so that there is a clearly defined line of military command, operational authority, and administrative responsibility assigned to each component of Coast Guard organization: Coast Guard Headquarters at the top, to the District Offices, to the Field Units at the bottom. The Commandant and his staff plan, supervise, and coordinate Coast Guard activities among the districts. District Commanders, assisted by their staffs, direct and coordinate activities of Coast Guard field units located within the geographical boundaries of their districts. The chain of military, operational, and administrative command runs from the Commandant of the Coast Guard, to the Commanding Officers of the individual district field units. Figure 1 shows the overall organization structure and chain of command of the Coast Guard.

¹Ibid., pp. x, xi.



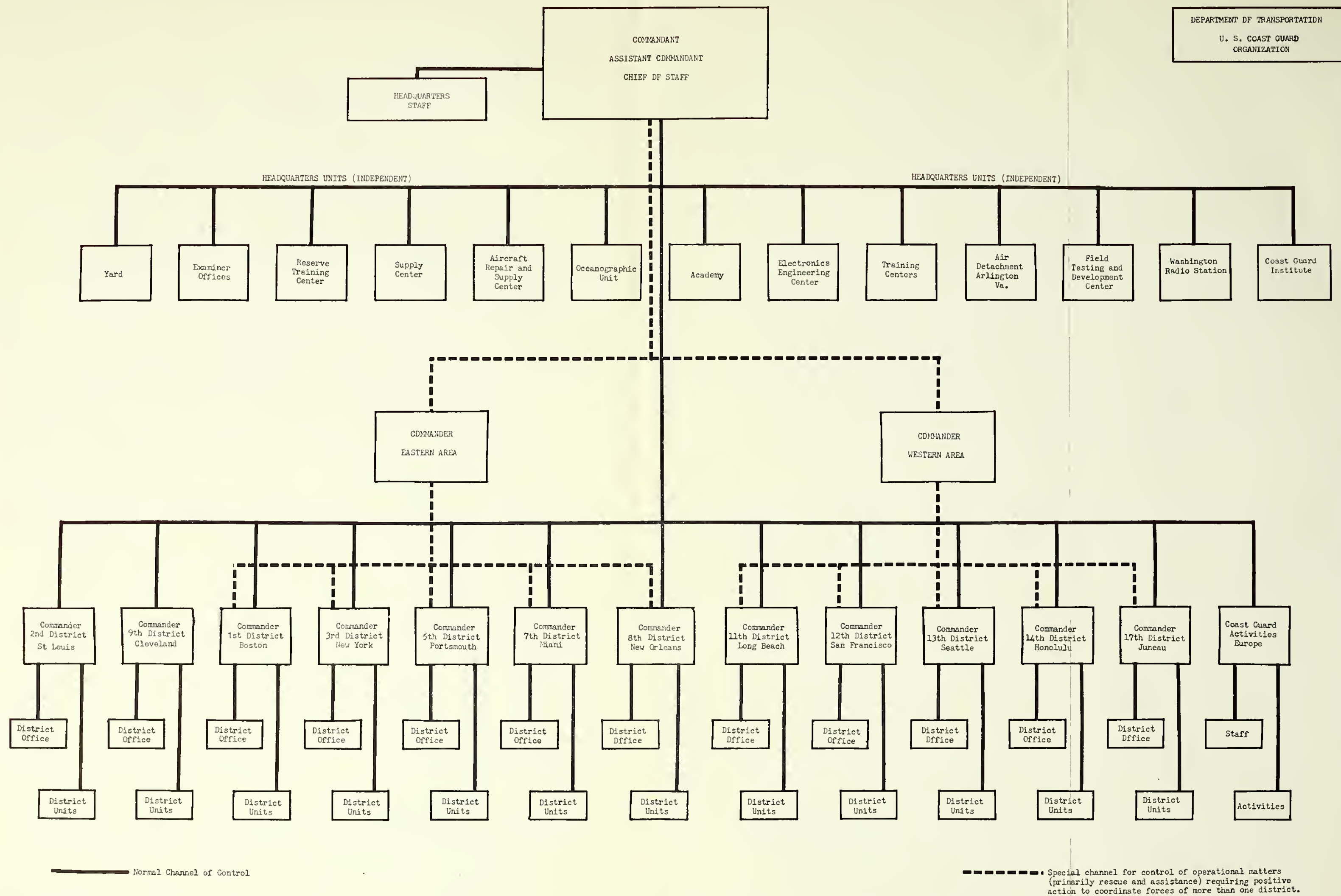
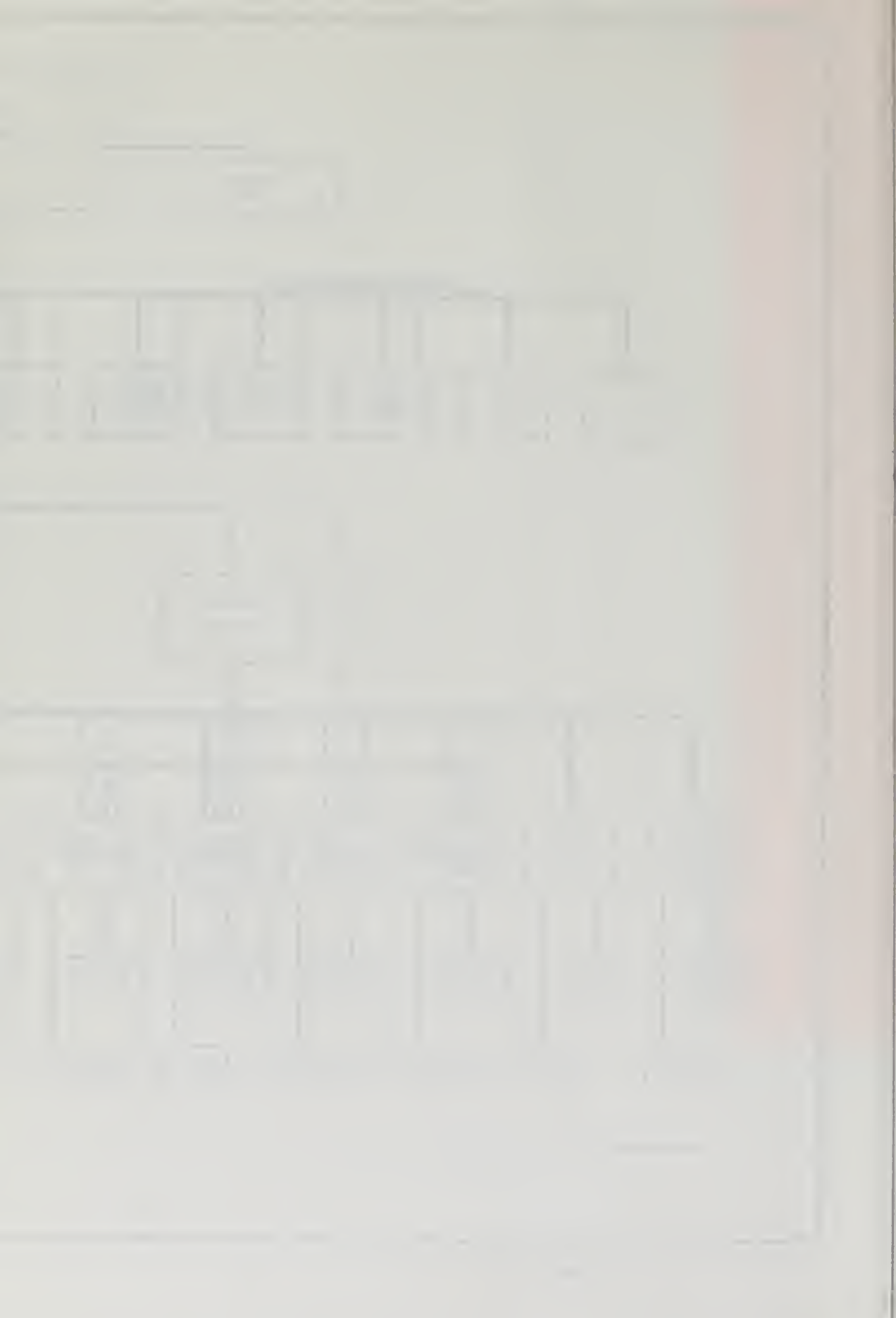


Figure 1



The District Field Units

The base of Coast Guard organization is the field units within the geographical boundaries of each district. Coast Guard field units consist of ships, aircraft, air stations, light stations, radio stations, lifeboat stations, marine inspection offices, training centers, bases, depots, and repair shops. It is the field units that are responsible for carrying out the manifold duties of the Coast Guard. They are normally under the direct operational and administrative control of the District Commander. In some cases, however, there may be an intervening command, called a group command, which has a limited operational and administrative control over particular district field units located within a specified area. This control can only be delegated by the District Commander.

A unique feature of a Coast Guard field unit is its multi-mission capability and performance. Every unit is designed, manned, equipped, and trained to perform a variety of Coast Guard missions. For example, the primary mission of a Coast Guard buoy tender is the servicing of aids to navigation such as buoys and light structures. However, these ships also perform such additional duties as search and rescue work, transporting equipment and material between field units and the boarding of small pleasure craft to insure compliance with Federal safety

standards. While this multi-mission concept has the advantage of a reduced capital expenditure requirement and a more effective response to emergencies, it does create administrative problems within the Planning, Programming, and Budgeting System. These problems will be carefully examined in the succeeding chapters of this paper.

The District Offices

"The District Commander, as the principal agent and representative of the Commandant, is responsible for the administration and general direction of the district units under his command."¹ In order to achieve consistent and uniform administration throughout the Coast Guard without unduly hampering independent action by the District Commander, the Commandant issues uniform regulations, rules, and instructions for all the District Commanders.² The District Commander is responsible for the efficient, safe, and economical performance of Coast Guard duties within his district. Figure 2 is a geographical presentation of the boundaries of the twelve Coast Guard Districts. This chart also shows geographic boundaries for Eastern and Western Area Commanders, who are responsible for a

¹Ibid., p. 4-2.

²Ibid., p. 4-7.

group of districts as shown in Figure 2 when special coordination of operations, readiness, and control becomes necessary. Under these special circumstances, the Area Commander is an intermediate echelon between the Commandant and the District Commander.

The District Commander is assisted in the administration of his district by the Chief of Staff and his subordinates on the district office staff. One of the many duties of the Chief of Staff is the supervision and coordination of the budgetary program of the district. He is responsible for the efficient management and utilization of district funds. The district staff consists of technical and administrative assistants who advise the District Commander in their specialty area via the Chief of Staff. The structure of the district office staff is outlined in Figure 3.

It should be noted that there is no division or branch specifically designated for planning, programming, or budgeting. These responsibilities are divided and distributed among the divisions. The Chief of the Engineering Division is responsible for (1) gathering information about the plans and requirements of other staff officers relevant to the development of district engineering programs, (2) administering funds which have been allocated to the Engineering Division, and (3) furnishing preliminary budget estimates and fund allocations or suballotments to the District Comptroller. The District Comptroller is



US COAST GUARD DISTRICTS

No. 5172

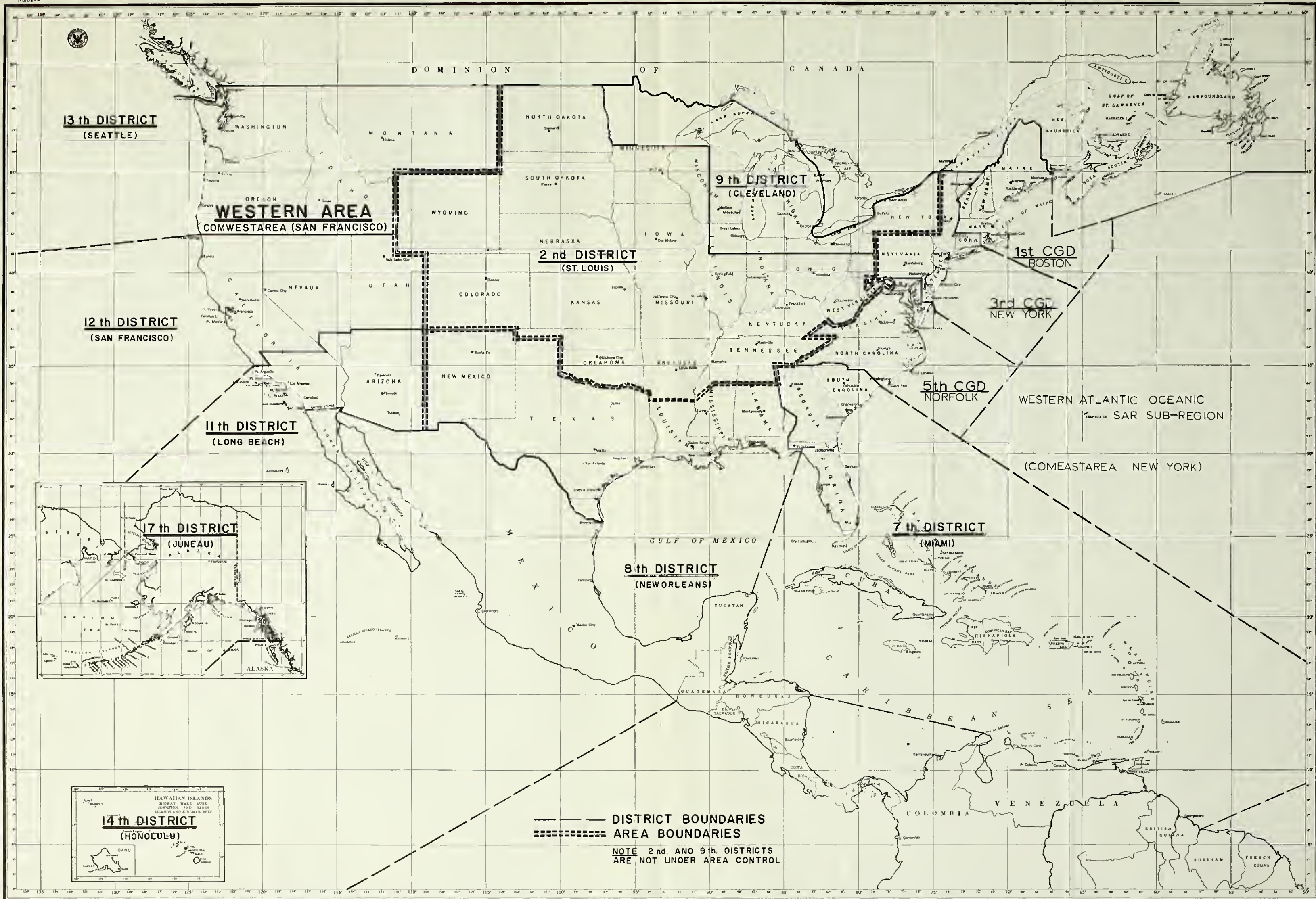


Figure 2

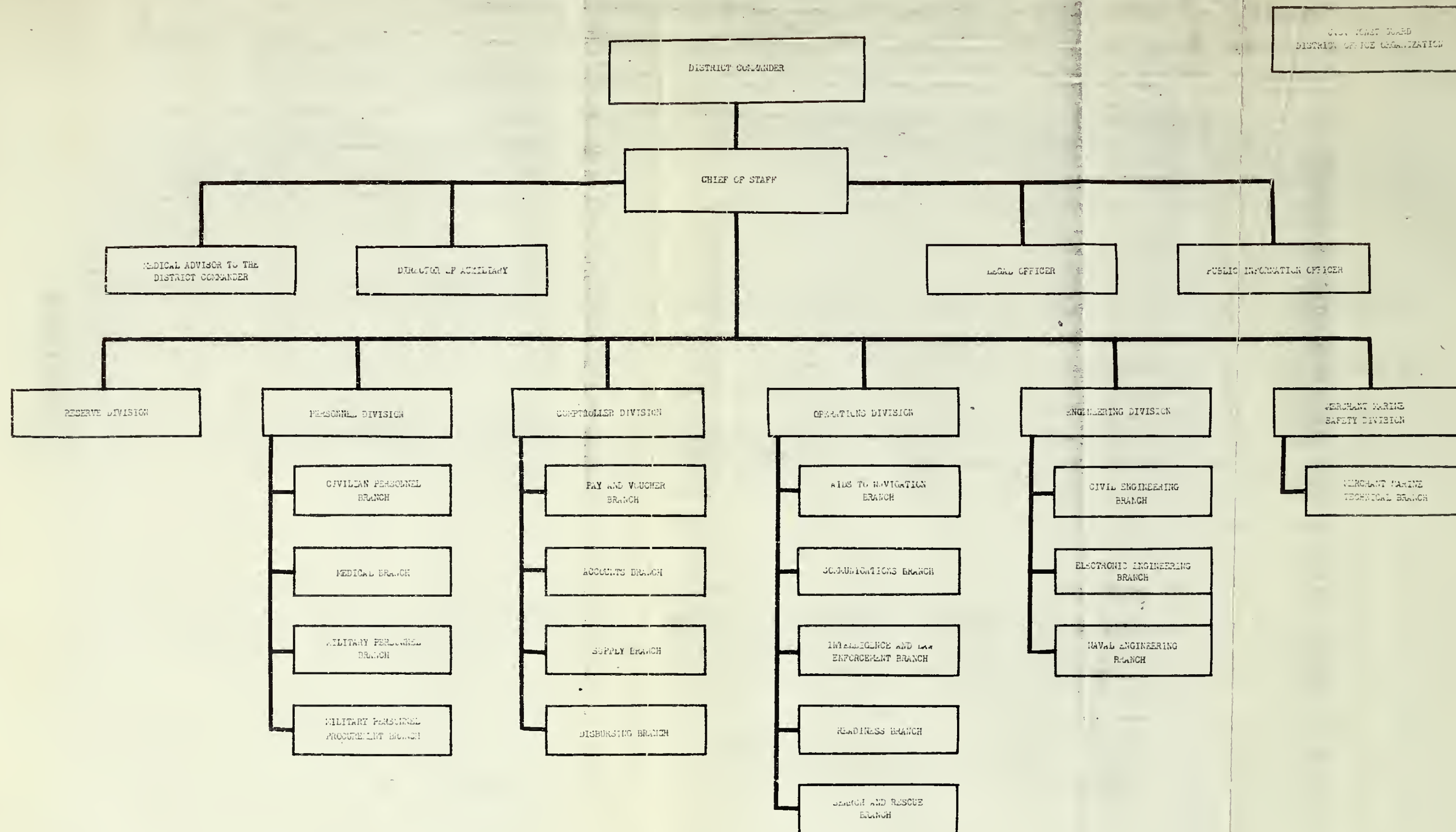


Figure 3

responsible for coordinating and consolidating the estimates of budgetary requirements. The Chiefs of the Divisions of operations, Personnel and Reserve, are also responsible for furnishing the Comptroller Division with preliminary budget estimates. In addition, they administer funds allocated to their divisions and develop the plans for their divisions. Later chapters will fully examine the nature and degree of Planning, Programming, and Budgeting at the District level.

Headquarters

The Commandant, as the senior officer of the Coast Guard, directs the policy, legislation and administration of the service, and is responsible to the Secretary of Transportation.¹ When the Coast Guard operates under the Navy, the Commandant is responsible to the Secretary of the Navy. The Commandant is assisted by the Assistant Commandant, the Chief of Staff, and a staff of advisors. Figure 4 shows the organization of Coast Guard Headquarters.

Reporting directly to the Chief of Staff are seven functional office chiefs and the personnel on his own staff. The general responsibilities of the Chief of Staff and the functional offices reporting to are as follows:

¹Ibid., p. 2-2.



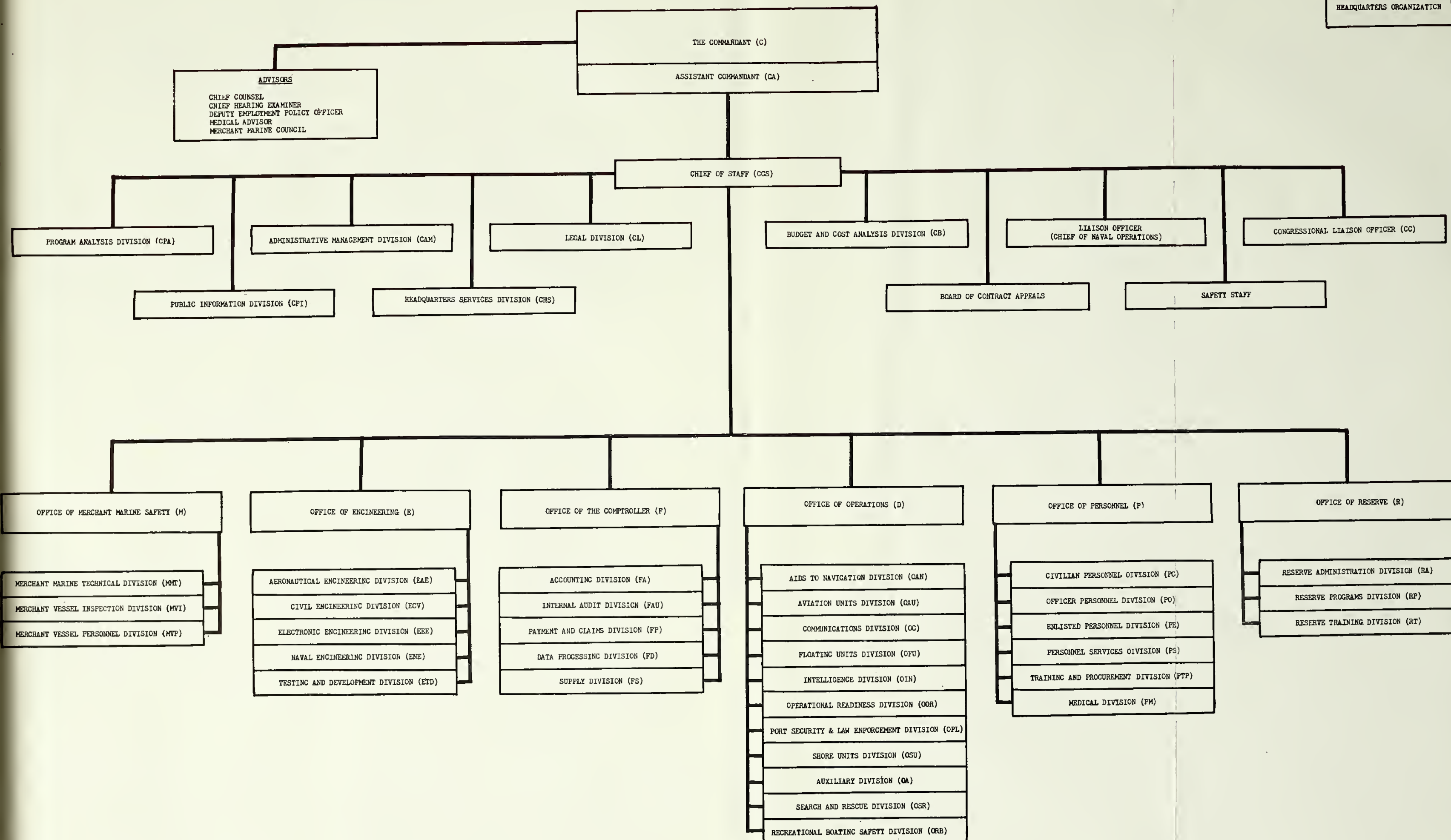


Figure 4

The Chief of Staff has staff responsibility for policy and program development, coordination and control, with particular reference to general management and legislative activities. In this regard he is generally and directly assisted by the special staff components immediately under him.

The Office of the Comptroller has staff responsibility for the logistics of the Service that involve the maintenance of accounts, the disbursement of funds, the audit and examination of accounts, and the sufficiency of the supply program including the procurement, storage, and distribution of equipment, supplies, and services.

The Office of Engineering has staff responsibility for the logistics of the Service that are of an engineering character, including the design, construction, repair, maintenance, out-fitting, and alteration of vessels, aircraft, aids to navigation, shore establishment, machinery, electronic equipment, and utilities.

The Office of Merchant Marine Safety has staff responsibility for the program for prevention of marine casualties, including the inspection of merchant vessels to insure compliance with established standards, approval of vessel plans and equipment, and the development and application of standards for merchant marine personnel.

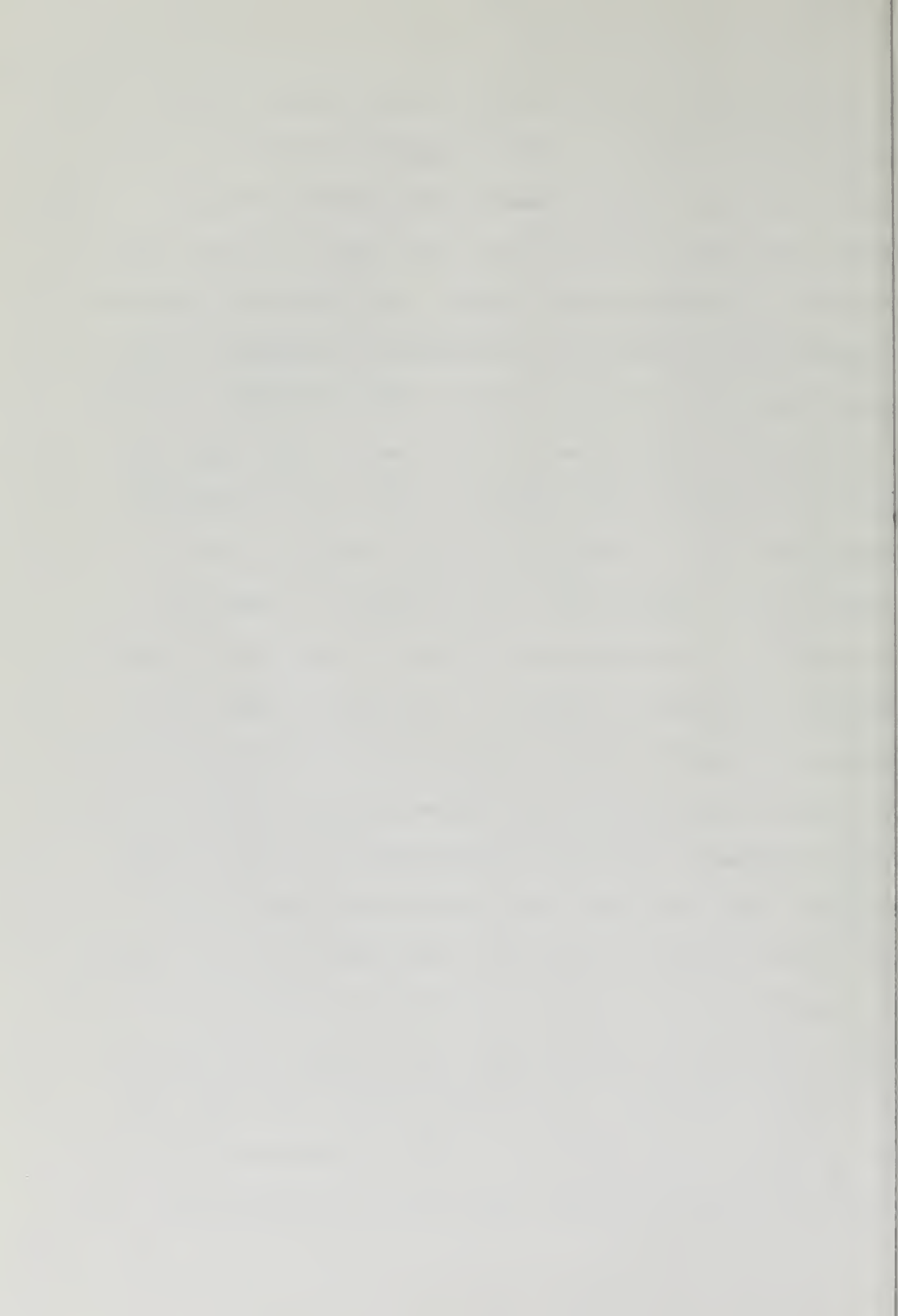
The Office of Operations has staff responsibility for the operational adequacy of the Service in connection with the saving of life and property at sea and otherwise, the provision of aids to navigation, maritime law enforcement, general military readiness and the Coast Guard Auxiliary programs.

The Office of Personnel has staff responsibility for the logistics of the Service that are of a personnel nature, including the procurement, training, assignment, and separation of personnel and the provision of medical and morale service.

The Office of Reserve has staff responsibility for the Reserve logistics of the Service that are of a personnel nature, including the training, assignment, and separation of inactive Reserve personnel.¹

¹Ibid., pp. 2-3, 2-4.

The above outlined responsibilities of the various offices in Headquarters are similar to their respective divisions in the district offices. In both, Headquarters and the district offices, the Chief of Staff is the focal point of Coast Guard management. In Headquarters, however, the presence of program management and a planning and programming orientation is more evident than in the district office. While the Chief of Staff in the district office does not have a specialized staff for planning, programming, and budgeting, the Chief of Staff in Headquarters does. A comparison between figures 3 and 4 illustrates this immediately. Until January 1, 1968 the organization of the Headquarters office of the Chief of Staff appeared as indicated in figure 4. Previously, that part of the Chief of Staff's office concerned with planning, programming, and budgeting consisted of the Program Analysis Division, Administrative Management Division, and the Budget and Cost Analysis Division. These divisions were separate entities with the chief of each reporting directly to the Chief of Staff. Before the reorganization, the Chief of Staff had a wide span of direct control and contact with his office and Headquarters staff, and the District Commanders. It had been assumed that this wide span of control was necessary to achieve "effective coordination among the Headquarters staff, and between the Headquarters staff



and the service at large."¹ Because of this wide span of control, the Chief of Staff was not only concerned with the plans, programs, and budgets of the service at large but also with the day to day activities and problems of the functional offices within Headquarters.

In recognition of the growing number of complexities resulting from the changes in management programs and the development of management difficulties associated with the wide span of control, the office of the Chief of Staff was reorganized on January 1, 1968.

The reorganization provides for the shifting of numerous functions within the Headquarters organization, but the principal changes center on the establishment of an assistant Chief of Staff for Planning, Programming, and Budgeting and an Assistant Chief of Staff for Management.²

In addition, two more Assistant Chiefs of Staff were appointed to deal directly with the office chiefs in Headquarters. Figure 5 shows the reorganized structure of Headquarter's Chief of Staff Office. Under the reorganization, the Chief of Staff's newly defined responsibilities to the Commandant and Assistant Commandant are:

1. Advise and assist the Commandant and the Assistant Commandant in the general administration of the Service.

¹Ibid.

²U. S. Coast Guard, Commandant Notice 5400, Reorganization of the Office of the Chief of Staff, December 26, 1967, p. 1.

2. Keep the Commandant and the Assistant Commandant informed of the problems encountered and the progress made in effectuating the policies and executing the programs of the Service, and act as principal management advisor to those officers.
3. Have general responsibility for the initiation, development, and review of basic policies and programs for the Service and for the control and coordination of plans and activities evolving therefrom to insure adherence to the policies approved by the Commandant.
4. Exercise general direction over the activities of the Assistant Chief of Staff for Planning, Programming, and Budgeting, the Assistant Chief of Staff for Management, and the Chief of Legal Staff.
5. Generally direct the activities of the Chiefs of Offices at Headquarters and the several district commanders, particularly with a view to promoting and securing effective coordination among the Headquarters staff, and between the Headquarters staff and the Service at large.
6. Maintain a proper distribution of functional assignments among the several components of organization, and cause close adherence to the approved pattern; assure the efficient and economical discharge of responsibilities as assigned by the organizational structure.
7. Assure that the Chiefs of Offices and the Assistant Chiefs of Staff are kept fully informed as to the broad policies and programs approved by the Commandant.
8. Prepare, present, and execute the budgetary program.
9. Act as Commanding Officer of Headquarters.¹

By reducing the Chief of Staff's span of control to four key assistants, he can devote more time to high level matters. At

¹Ibid., p. 1 of Enclosure 2.

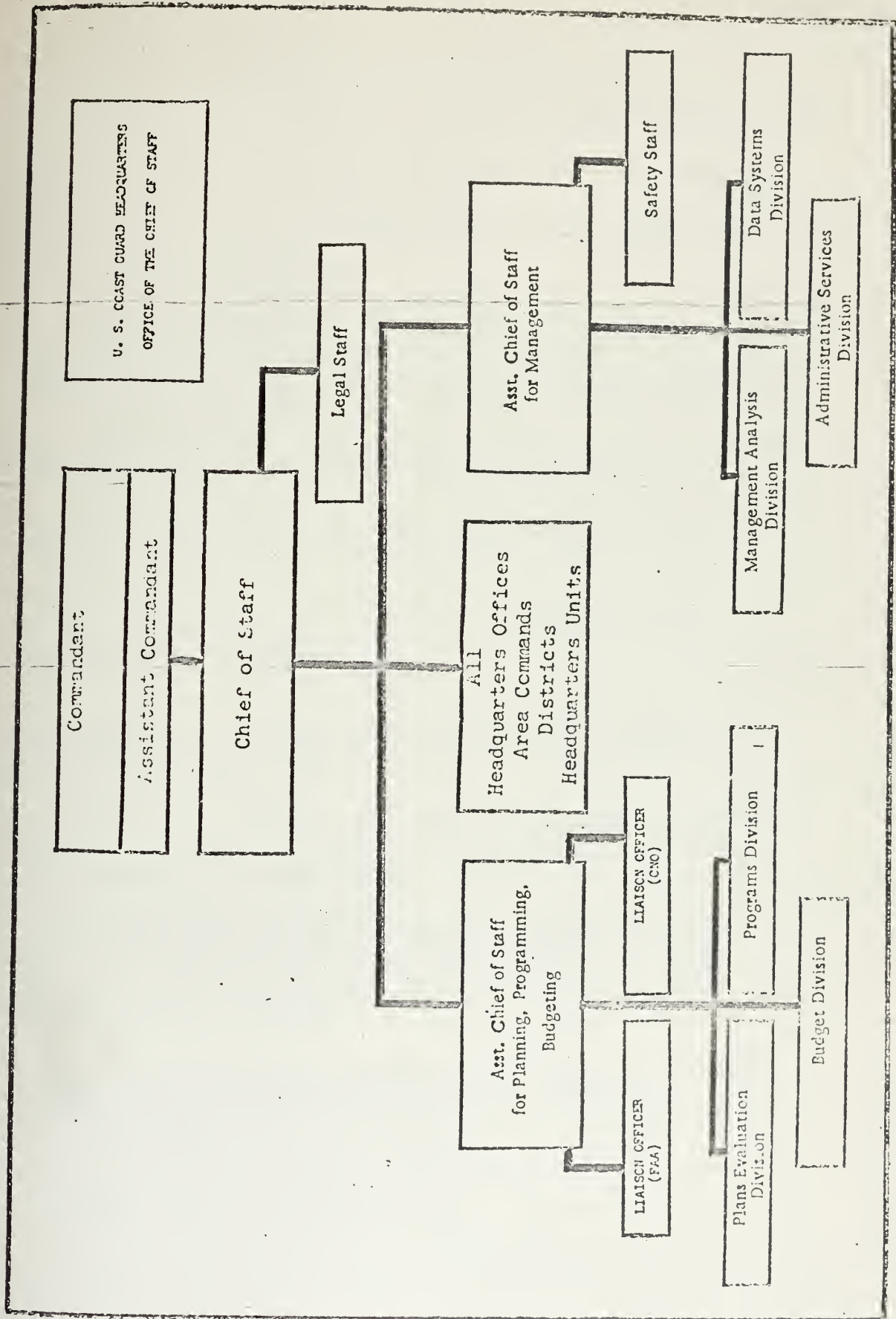


Figure 5

the same time, this reorganization provides for more efficient control since all the functions related to the Planning, Programming, and Budgeting System are consolidated under one Assistant Chief of Staff. These consolidated functions of the Assistant Chief of Staff are:

1. Direct, supervise and coordinate the activities of the Plans Evaluation Division, the Programs Division, the Budget Division, and the CNO and FAA Liaison Officers.
2. Coordinate all aspects of long-range planning (for that period which is beyond the Budget year).
3. Coordinate the definition of programs, including objectives, policies, and specified outputs.
4. Coordinate the scheduling of program changes and program adjustments for all years defined by the Department of Transportation.
5. Coordinate the development of (a) all stages of the budget, and (b) program memoranda with their related financial plans.
6. Review all proposed major policy changes affecting plans or program development or execution, and make appropriate recommendations.
7. In carrying out the foregoing responsibilities, work directly with the Chiefs of Offices and keep the Chief of Staff advised of significant matters of importance or policy.
8. Supervise the activities of the liaison officers (Chief, Naval Operations and Federal Aviation Administration).¹

¹Ibid., p. 2 of Enclosure 2.



Summary and Analysis

It has been the purpose of this chapter to study the formal organization structure of the Coast Guard and how it is affected by the Planning, Programming, and Budgeting System. In this general examination it became obvious that the Planning, Programming, and Budgeting System has not had any organizational impact outside of the Chief of Staff's Office in Headquarters. The Chief of Staff in Headquarters has recognized the need for a coordinated office of planning, programming, and budgeting and reorganized his office in January, 1968 to meet that need. On the other hand, the District Chief of Staff, the key budget officer outside of Headquarters, is responsible for the budget and effective use of funds in the district but has no specialized staff for such things as long-range planning, program review, budget development, and program monitoring. This points out a major difference between Headquarters and District orientation. Headquarters is becoming oriented toward program administration and management while emphasis in the district is on its operational commitments.

Thus, the overall organization of the Coast Guard has not recognized program management. This situation will be examined more closely in Chapter VI. But for the present, it is important to understand the structure and nature of the

present organization as detailed in this chapter and the fact that, in general, it has not changed significantly with the advent of the Planning, Programming, and Budgeting System.

CHAPTER IV

THE DEVELOPMENT OF LONG-RANGE PLANNING IN THE UNITED STATES COAST GUARD

Between the years 1790 and 1961, the development of Coast Guard responsibility, authority, and policy was a piecemeal affair. This was due, primarily, to the manner in which the service received its many varied functions. Some came from formal specific acts of Congress, others from acts which were not so specific; some came through executive orders, and others through interdepartmental and interagency agreements. In addition, the intensity of the demands placed on the Coast Guard since 1790 fluctuated in a manner reminiscent of economic or business cycles. Periods of unusually high demand were stimulated by such things as war and the enforcement of various anti-smuggling laws. During these periods the service would expand its strength in personnel, equipment, and facilities to meet the high demand. However, these periods were followed by a downturn in service activity when ships would be put to rest, facilities closed, modernization programs halted, and large numbers of personnel released from active duty. This downward

trend would be reversed when new demands were brought on by a changing world situation or by changes in the habits, interests, or activities of the clientele served by the Coast Guard. These cycles did not generate an atmosphere for long-range planning.

The Need For Planning

When World War II ended the Coast Guard was directed to demobilize to its peacetime personnel strength by July 1, 1946.¹ On January 1, 1946, the Coast Guard, along with a host of far reaching problems, was transferred back to the Treasury Department. For four years Naval Congressional Committees and the Navy Department had grown to know and understand the Coast Guard. Now the service not only returned to its peacetime department and Congressional committees to find many new officials in charge but also returned with additional functions acquired during the war which were unfamiliar to those who had dealt with the Coast Guard before the war.

The return to its prewar place in peacetime was impossible. The war had interrupted the orderly integration of the Lighthouse Service and the Coast Guard. Weather patrols, a wartime emergency measure, had demonstrated a great peacetime value, and LORAN,² unheard of before the war, was deemed a

¹Capron, p. 170.

²See p. 26 explanation of LORAN.



peacetime necessity. The problems of the service were compounded by the fact that its duties, responsibilities, and authorities had never been defined in federal statutes. Was it legal for the Coast Guard to operate LORAN stations throughout the world and perform some of its other now commonly accepted duties?

The Fiscal Year 1947 Budget was prepared to enable the service to meet all of its peacetime commitments. However, it was rejected by Congress and the funds requested for personnel were cut in half. During that first full year in the Treasury Department the Coast Guard struggled to perform duties requiring more than 30,000 military persons with less than 19,000 people. Consequently, many ships were tied up without crews, lifeboat stations were woefully undermanned, and logistic support for overseas LORAN stations and Merchant Marine details was almost completely lacking.¹

The Coast Guard Budget for Fiscal Year 1948 requested increased funds for operating LORAN stations, weather patrols, and for performing many other duties. The House Appropriations Committee felt that the service was not economical in the performance of its duties and recommended that a private consulting firm study the service and its operations.

¹Capron, p. 172.

The Ebasco Study

Selected jointly by Congress and the Secretary of the Treasury, the Ebasco Corporation of New York performed a thorough and complete study of the Coast Guard and reported in favor of its appropriations requests. The study praised the Coast Guard, its administration, and its method of operation, and sighted the lack of federal statutes specifying Coast Guard tasks and missions as a major problem. Of major importance to the Coast Guard was the Ebasco Corporation's recommendation for a sizable increase in personnel and operating funds. As a result of the Ebasco Report, Congress appropriated more operating funds for the Coast Guard and authorized the operation of LORAN stations and weather patrols.

Title 14, United States Code

Another important result of the Ebasco Report was that Congress permitted the service to recodify Title 14, United States Code, which contains the laws governing the Coast Guard. This recodification became effective in November, 1949.¹

Title 14 of the United States Code contains not only the statutory authority of the Coast Guard but also the service's general functions and responsibilities. In broad general terms

¹Ibid., p. 177.

the mission objectives of the Coast Guard based on Title 14 are as follows:

Aids to Navigation--Safe passage on and over the high seas and waters subject to the jurisdiction of the United States through effective and reliable systems of aids to navigation.

.....

Search and Rescue--Timely assistance to persons and property in distress on or over the high seas, in waters subject to the jurisdiction of the United States, and elsewhere whenever forces are available.

.....

Ocean Stations--Safe passage of air and transoceanic traffic through areas of United States responsibility, and such other areas as may be in the National interest. Scientific knowledge of the atmosphere, the sea, and their interface, through data collection at temporary or permanently established ocean stations.

.....

Merchant Marine Safety--Safety of life and property on the high seas and internal waters through law enforcement and regulation of merchant vessels, their officers and crews.

.....

Icebreaking--Waterborne access to ice-bound locations in furtherance of National economic, scientific, defense, and consumer needs.

.....

Law Enforcement--Protection of lives, property, natural resources and National interests through enforcement of Federal law upon the high seas and waters subject to the jurisdiction of the United States.

.....

Port Security--Safe, secure port areas and facilities, and protection of the National interest.

.....

Oceanography--Knowledge of the sea, its boundaries, and its resources, through collection and analyses of data in support of the National interest.

.

Military Readiness--An effective ready force responsive to specific tasks in time of war or emergency in support of National security.

.

Reserve Training--Trained augmentation forces for war or National emergency and such other times as the National security may require.

.

Cooperation with other Government Agencies--Maximum utilization of National resources through cooperative efforts with government agencies in pursuing programs in the National interest.¹

The Need for Capital Expenditure

During the years following the Ebasco Study, the Coast Guard was able to stabilize its operations. Orderly planning had begun to emerge and a little headway had been made in the replacement and moderization of vessels, aircraft, and shore facilities. Then the Korean War, in general, and the Coast Guard's participation, in particular, halted this planning.

The Coast Guard in the early 1950's was operating with secondhand Army and Navy wartime aircraft, shore facilities that had received minimum wartime maintenance and were in poor condition, and many vessels dating back to the days of

¹United States Coast Guard Objectives (CG-378), March 4, 1964. pp. 3-11.

prohibition or World War II that were showing signs of hard war use and hasty construction. The majority of these facilities, vessels, and aircraft were obsolete and were becoming disproportionately expensive to maintain. Because an aircraft failure in flight is so spectacular, the Coast Guard was able to gain Congressional appropriations for the sporadic replacement of its oldest and most deteriorated aircraft. During the ten years preceding 1957, capital expenditures were provided for a few new aircraft and the construction of buoys to aid navigation.

The Aviation Plan

In 1957 the ax fell when the House Appropriations Committee deleted all funds for Coast Guard aircraft from the Fiscal Year 1958 Budget. "The committee stated that after the Treasury and Coast Guard had presented a long-range plan to Congress for aviation facilities and aircraft, funds could be requested for its implementation."¹

Fortunately, the Coast Guard was not caught unprepared.

In 1956, a board of senior Coast Guard officers had been appointed to analyze and determine the aviation requirements of the service in order to meet its statutory missions. In addition, the board was to determine the future types and numbers of aircraft

¹Capron, p. 200.

required and prepare a financial plan for the achievement of its recommendations. The report of the board, approved by the Commandant of the Coast Guard and Secretary of the Treasury with a few minor changes, was presented to the House Appropriations Committee in 1957. The committee held special budget hearings on the report and restored funds for aircraft procurement as a major step in implementing the board's recommendations.

Thus, long-range planning, though ad hoc in nature, had begun in the Coast Guard and, because of it, Coast Guard aviation and aviation facilities "were now on a firm basis, with a well-defined goal, and a financial plan approved by the Treasury Department and tacitly agreed to by the House Appropriations Committee."¹

The Vessel and Shore Facility Plan

With the success of the Aviation Requirements Report and the growing recognition that the obsolete and overaged condition of Coast Guard vessels and shore facilities created an urgent need for replacement, it became obvious that the service needed a long-range vessel and shore unit plan. In September, 1957, Assistant Secretary of the Treasury David W.

¹Ibid., p. 201.

Kendall requested the Commandant of the Coast Guard to prepare reports on the requirements for vessels and shore units, "setting forth a program of comprehensive projected needs showing financing, necessities, obsolescence, new missions and future needs."¹ The Commandant then appointed a second ad hoc board of senior Coast Guard officers to conduct studies similar to that of the Aviation Board and report on the requirements for floating and shore units.

The board began work first on the vessels study. The final report on the requirements for Coast Guard vessels was presented on November 28, 1959. Its approach and method of presentation were similar to that of the successful Aviation Report. In finding the majority of Coast Guard vessels obsolete and overage, the board proposed a nine-year plan for replacement and necessary additions to the fleet. Shortly after the report was submitted, Mr. Kendall resigned from the Treasury Department and no action was taken on the report for many months. In 1962, this report was updated and amended to provide for the projected and planned replacement of overaged vessels over a twelve year period. This report was approved by the Secretary of the Treasury in 1963.

¹U. S., Coast Guard, Commandant Instruction 5441.3, Report on the Requirements for Coast Guard Vessels, November 1959 as Amended June 1962, October 25, 1963. p. 1.

The second ad hoc committee had dissolved because of transfers of its members and the initial lack of response to the Vessels Report. It reconvened later, however, and submitted the Shore Units Requirements Report in May, 1962. The report was approved by the Secretary of the Treasury in January, 1963.¹ The approved report signaled the need for substantial changes in the number and type of Coast Guard operating shore units and called for this to be accomplished over a ten year period.

Criticism of the Initial Approach to Planning

These three major reports covering Aviation, Vessels, and Shore Units became the foundation of long-range Coast Guard planning. They analyzed Coast Guard requirements and in their revised and updated forms have proved to be the service's primary basis for annual acquisition, construction, and improvement budget requests. The success of these plans can be seen in the substantial increase in new construction of vessels, aircraft, and shore facilities since the early 1957. Figure 6 is a compilation of the capital expenditure appropriations received since 1957.

¹Donald M. Morrison Jr., "Program Budgeting In The United States Coast Guard" (unpublished Master's thesis, School of Government and Business Administration, The George Washington University, 1966), p. 38. This author is a Lieutenant Commander, USCG and is currently the Budget Officer for the Office of the Reserve at Coast Guard Headquarters.

Fig. 6--Acquisition, Construction, and Improvements
Appropriation 1957 to 1968

| <u>Year</u> | <u>Amount</u> |
|-------------|----------------|
| *1957 | \$ 12,000,000. |
| 1958 | 15,000,000. |
| 1959 | 18,000,000. |
| 1960 | 23,000,000. |
| 1961 | 30,000,000. |
| 1962 | 39,000,000. |
| **1963 | 33,330,000. |
| 1964 | 56,000,000. |
| 1965 | 85,000,000. |
| 1966 | 115,510,000. |
| 1967 | 107,500,000. |
| 1968 | 108,000,000. |

The appropriations for the five fiscal years preceding 1957 amounted to just under ten million dollars each year.

*Aviation Plan accepted

**Shore Units and Vessel Plans accepted

Source--Data collected from the files of the Budget Division Office of the Chief of Staff, U. S. Coast Guard Headquarters.

Although these major studies had a very positive effect on improving the physical state of Coast Guard facilities and equipment, their ad hoc nature and orientation toward facilities were major drawbacks to their continued effectiveness. Both the Aviation Requirements and Vessel Reports were criticized because their recommendations were not based on explicit criteria. Concerning the Aviation Requirements Report, one senior Coast Guard officer observed:

The detailed recommendations for replacement of aircraft were not justified on the basis of explicit efficiency or effectiveness criteria, and the measure of assistance provided by the other "tools" of the Service--its vessels and shore units--was not reflected in the report. Since the recommendations were not based upon explicit criteria, nor were they supported by statistical data, it must be concluded that these recommendations were based only upon the professional judgement of the members of the ad hoc board.¹

An improved approach was taken with the Shore Units Study.

In arriving at its recommendations, the committee has laid particular emphasis on units with an operational mission. They have done this by establishing service-wide standards which are designed to furnish reasonable Coast Guard coverage of our coastal waters. These standards were then applied to determine the location

¹Thomas E. Hawkins, "Mission Oriented Management by the United States Coast Guard" (unpublished Master's thesis, School of Government, Business and International Affairs, The George Washington University, 1964), p. 86. The author is a Commander, USCG and currently is Chief, Plans Evaluation Division, Office of the Chief of Staff, Coast Guard Headquarters.



of operational stations and the personnel and equipment required. The standards used by the committee incorporated the aviation units and vessels recommended in the Aviation and Vessels Reports.¹

Although the approach used in the Shore Unit Study was an improvement over the two previous plans, it still did not include a systematic analysis in terms of objectives and weighing of payoffs and costs of alternative programs. Any shortcomings or criticisms made about these studies could not possibly overshadow the great value of these initial planning attempts. Not only were they responsible for gaining increased capital appropriations for the Coast Guard but they also provided a base and direction for future planning and service growth.

The Roles and Missions Study

Undoubtedly the most important effect of these studies was that they prompted Secretary Dillon's concern "about the critical problem facing the United States Coast Guard because of the obsolescence of much of its equipment and facilities."² The magnitude of the problem can readily be seen when the more

¹U. S. Coast Guard, Commandant Memorandum to the Secretary of the Treasury Douglas Dillon, Report on the Requirements for Coast Guard Shore Units, May 1962, January 14, 1963.

²Coast Guard Study, p. i.

than one billion dollars required for the new phased program of capital expenditure is compared to the capital expenditures in the preceding ten years which totaled less than two hundred million dollars. To justify such a five-fold increase in appropriations would require a definitive explanation of Coast Guard objectives. However, from the examination earlier in this chapter of Title 14 of the United States Code, it is clear that it was too broad and general to provide the required definitive explanation. In September, 1961, Secretary Dillon called for a comprehensive study of the Coast Guard's roles and missions in order to obtain a "clearer mission definition and more precise delineation of policy and operational guidelines."¹

Although most of the eighty recommendations of the Roles and Missions Study pertained to policy and operational guidelines, two recommendations were of particular interest for this paper. They were first:

An operations research study be conducted for use by the Coast Guard in developing a co-ordinated long-range plan for total mission accomplishment as a logical operational planning step.²

and second:

Recognizing the multifunctional nature of Coast Guard operations, a suitable basis be developed to

¹Roles and Missions Study, Forward Page, unnumbered.

²Ibid., p. c-44.

determine program costs against which to measure performance.¹

significantly, a broad application for its recommendations was implied by the Roles and Missions Study committee even when these recommendations concerned specific mission areas.

They were referring to a broad program element-- the cost of performing the Aids to Navigation mission of the United States Coast Guard . . . the recommendation should not be restricted to this one mission area to which it was directed in this report Cost data should be developed for all of the missions performed by the United States Coast Guard.²

Since this chapter is dealing specifically with planning and how and why long-range planning developed in the Coast Guard, only the first recommendation will be discussed here. The implications of the second recommendation which is concerned with budgetary programs will be discussed in the following chapter.

In recommending an operations research study as a logical planning step, the Roles and Missions Study committee recognized that the Coast Guard was entering into an era of increasing demands and that because its facilities are multi-mission oriented, their expenditures must be related to all mission requirements regardless of the prime mission of the

¹Ibid., p. D-10.

²Hawkins Thesis, p. 66-67.



unit. Since the multi-mission nature of the Coast Guard units creates a situation with limitless variables, the use of operations research simulation techniques was suggested. This would permit the use of a mathematical model in order to correlate the limitless variables "in a manner that will permit an orderly, and reasonably scientific process of decision making."¹ Simulation affords computer analysis and permits appraisal of the alternate courses of action. Thus, the planning process would no longer have to depend solely on professional judgement as in the development of the Aviation, Vessels, and Shore Facilities plans. Now the combined use of simulation and computer techniques tempered with professional judgement and personal experience, would permit the Coast Guard to develop more accurate and dependable long-range plans.

Ad Hoc Board for Long-Range Planning

As a result of the Roles and Missions Study, the Commandant appointed an Ad Hoc Board for Long-Range Planning in November 1962. The Board was to study the feasibility of applying operations research techniques to management and long-range planning problems. The Board completed its study in August, 1963 and reported to the Commandant:

¹Roles and Missions Study, p. C-40.

We have developed for your approval a publication entitled "Coast Guard Objectives" and have coordinated an operations research feasibility study by a private firm under contract to the Bureau of the Budget. In addition to these specific actions, a number of recommendations dealing with the Coast Guard planning process and its future application were developed.¹

Coast Guard Objectives

Upon receiving the Coast Guard's objectives formulated by the Long-Range Planning Board, the Commandant endorsed the Board's work and stated that the objectives would serve the following purposes:

To set forth a basic Coast Guard philosophy: to define Coast Guard objectives in relation to national objectives and assigned missions; and to provide long-range policy guidelines for use in planning and operations. Its merit lies not in originality, but in the positive assertion of philosophy, objectives, and policy.²

For the first time in its history, the Coast Guard was provided with general objectives toward which future planning could be directed. Thus, long-range planning in the Coast Guard was made a realistic possibility. The service could now begin to act instead of react as it had done throughout its history. The guidelines provided in the Coast Guard objectives are purposely broad and are valid since they are based not only on

¹U. S., Coast Guard, Report on Coast Guard Long Range Planning Organization and Staffing, August 21, 1963, p. 1.

²Coast Guard Objectives, p. i.

statutory authority but also on national objectives. These meaningful long-range objectives were intended as more than a projection of existing missions and standards. They are practical goals but at the same time they are sufficiently difficult to attain so as to be a challenge to the maximum efforts of the service.

Operations Research Study

In addition to its work on formulating the Coast Guard's objectives, the Long-Range Planning Board coordinated an operations research feasibility study. The study was conducted by Management Technology, Incorporated and the results were reported in August, 1963. These results indicated eighty-eight management and planning problem areas. The report stated that twenty-five of these would benefit from the application of operations research techniques. It also recommended that the Coast Guard inaugurate an operations research effort with an initial program of four projects:

- (1) Long-Range Planning Simulation Model
- (2) Major Resources Replacement Policy
- (3) Personnel Utilization System
- (4) Multi-Agency Inspection Study.¹

For the purpose of this paper the most important recommendation made by Management Technology, Incorporated was that

¹Management Technology, Inc., "The Application of Operations Research to Management and Planning Problems of the United States Coast Guard" (an unpublished report to the Bureau of the Budget, Executive Office of the President, 1963), p. II-2.

the Coast Guard organize within the office of the Headquarters Chief of Staff, "an Operations Research and Planning Branch under the Program Analysis Division."¹ This recommendation was acted upon and the responsibility for Long-Range Planning and Operations Research was placed in the office of the Chief of Staff, Plans Evaluation Division.

Until 1964, Coast Guard planning had been characterized by an ad hoc approach. Under this approach the Vessel, Aviation, and Shore Units Plans were developed and provided the basis for budget estimates and long-range planning on a facility-oriented basis. However, it was now recognized that facility planning could not sustain the dynamic planning system envisioned for the Coast Guard. This was due to the growing "interest and emphasis on performance and program budgeting indicating all the more a need for mission-oriented planning."² These were among the first published Coast Guard words concerning program budgeting. Thus, it was the Roles and Missions Study that gave substance to the Treasury Department's and Coast Guard's interest in program budgeting and a more sophisticated approach to management.

¹Ibid.

²U. S., Coast Guard, Commandant Instruction 5010.1, Coast Guard Long Range Planning System, February 14, 1964, p. 3.

Long-Range Planning System Objectives

Having accepted the clearly stated Coast Guard objectives as a basis for a mission-oriented planning system, it was firmly established that objectives of this new system would be

- a. To provide a uniform, effective and consistent means for planning at all levels of planning responsibility.
- b. To create a master plan, subordinate plans, and a system for keeping them current.
- c. To provide a framework for continuing evaluation of performance relative to established performance standards.
- d. To provide a means for comparison between current performance plans (available resources) and resource requirements.
- e. To establish:
 - (1) Performance standards for each mission.
 - (2) Facility and logistic resource requirements to achieve and maintain planned performance levels over a ten-year period.
 - (3) A firm basis for the budget plan.¹

Since it was recognized that an interim situation would exist while the new planning system was being implemented, the three existing plans, the Aviation, Vessels, and Shore Units Plans, were periodically reviewed and updated to provide a current base for the budget plan. Since these plans are facility-oriented they have remained as an effective base and planning tool for the Acquisition, Construction, and Improvement Program.

¹Ibid., p. 2-3.

How and Why Did a Long-Range Planning System Develop?

The Long-Range Planning System evolved from the Coast Guard's efforts to stabilize itself after World War II and, thus, prevent the repetition of the cyclical upheavals which had been such an integral part of its history. The initial effort in long-range planning was a financial necessity forced upon the Coast Guard by Congress's refusal to make further appropriations and encouraged by the recommendations of the Ebasco Report. Once the Coast Guard recognized the importance and value of long-range planning, it began an ad hoc program for planning. As its experience with planning grew through the development and implementation of the Aviation, Vessels, and Shore Unit Plans, the Coast Guard realized the need for a more sophisticated and dynamic planning system. Emphasis was shifted from the facility-oriented approach in planning to a mission-oriented approach, once the roles and missions of the Coast Guard had been defined. Thus, with the use of simulation and computer techniques supplemented by professional judgement and experience, with the roles and missions clearly defined, and with the mission-oriented approach, the Coast Guard has moved toward an integrated Planning, Programming, and Budgeting System. How the Coast Guard evolved this system in the areas of programming and budgeting will be explored in the next chapter.



CHAPTER V

PROGRAM BUDGET DEVELOPMENT IN THE UNITED STATES COAST GUARD

As the next step in the movement toward an integrated Planning, Programming, and Budgeting System in the Coast Guard, the Secretary of the Treasury in June 1963 requested that, "the Coast Guard develop a program-oriented budget on a pilot study basis."¹ This pilot study was actually an outgrowth of the recommendations made in Roles and Missions Report. To conduct this study, a Budgetary Advisory Group, composed of senior officers in Headquarters, was established in June 1963.

Pilot Study to Develop a Program Budget

It was understood by the Budgetary Advisory Group at the outset of its study that the Coast Guard had a facility-oriented approach toward budgeting, accounting, and organization. The Advisory Group was also cognizant of the fact that most Coast Guard operating units were multipurpose and thus carried out

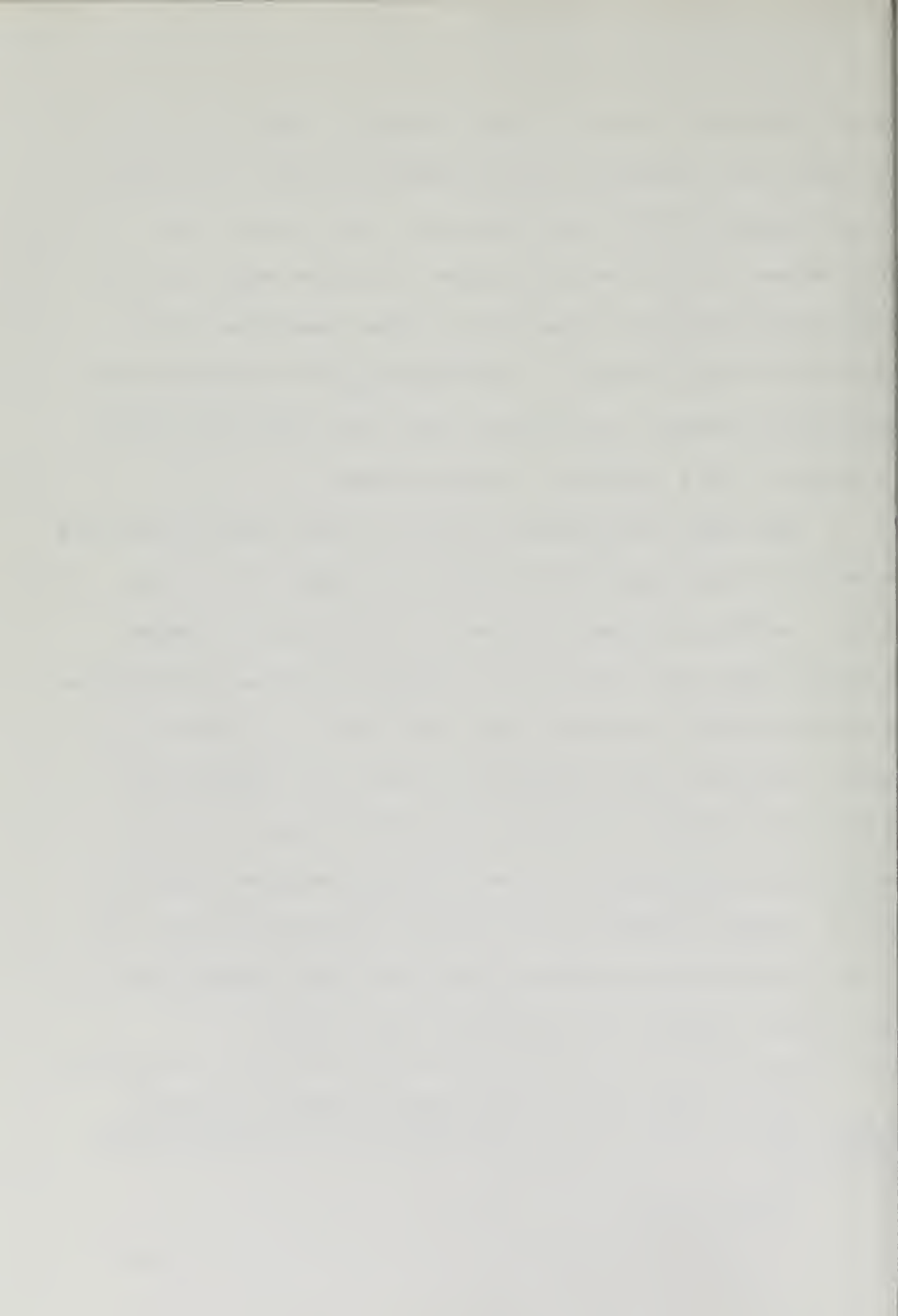
¹U. S., Coast Guard, Chief of Staff Memorandum to Chiefs, Offices and Divisions, Development of a Program-Oriented Budget as a Pilot Study, June 25, 1963, p. 1.

several different missions during the year. For the purpose of its study, the Advisory Group considered the term "mission" to be synonymous with the term "program." Thus, their basic problem was how to develop a program structure which would be supported by accounting analysis of actual operating costs incurred for each program.¹ Sound methods of calculating and distributing direct and indirect costs would have to be found in order to fully implement a program budget.

When this study began, all Coast Guard expenditures were being distributed among eight functional budget activities. At first, the Advisory Group intended to distribute the budget activity costs among the mission categories defined in the Roles and Mission Study. However, they later found it necessary to refine and alter these categories as well as to add another category for "Supporting Facilities and Services . . . for costs whose distribution to specific programs proved impractical."² Figure 7 compares the original budget activities, the Roles and Missions categories, the Pilot Study programs, and the present program structure of the Coast Guard.

¹U. S. Coast Guard, Pilot Study to Develop Program Budget, March, 1964, p. 16. Cited hereafter as Program Budget Pilot Study.

²Ibid., p. 18.



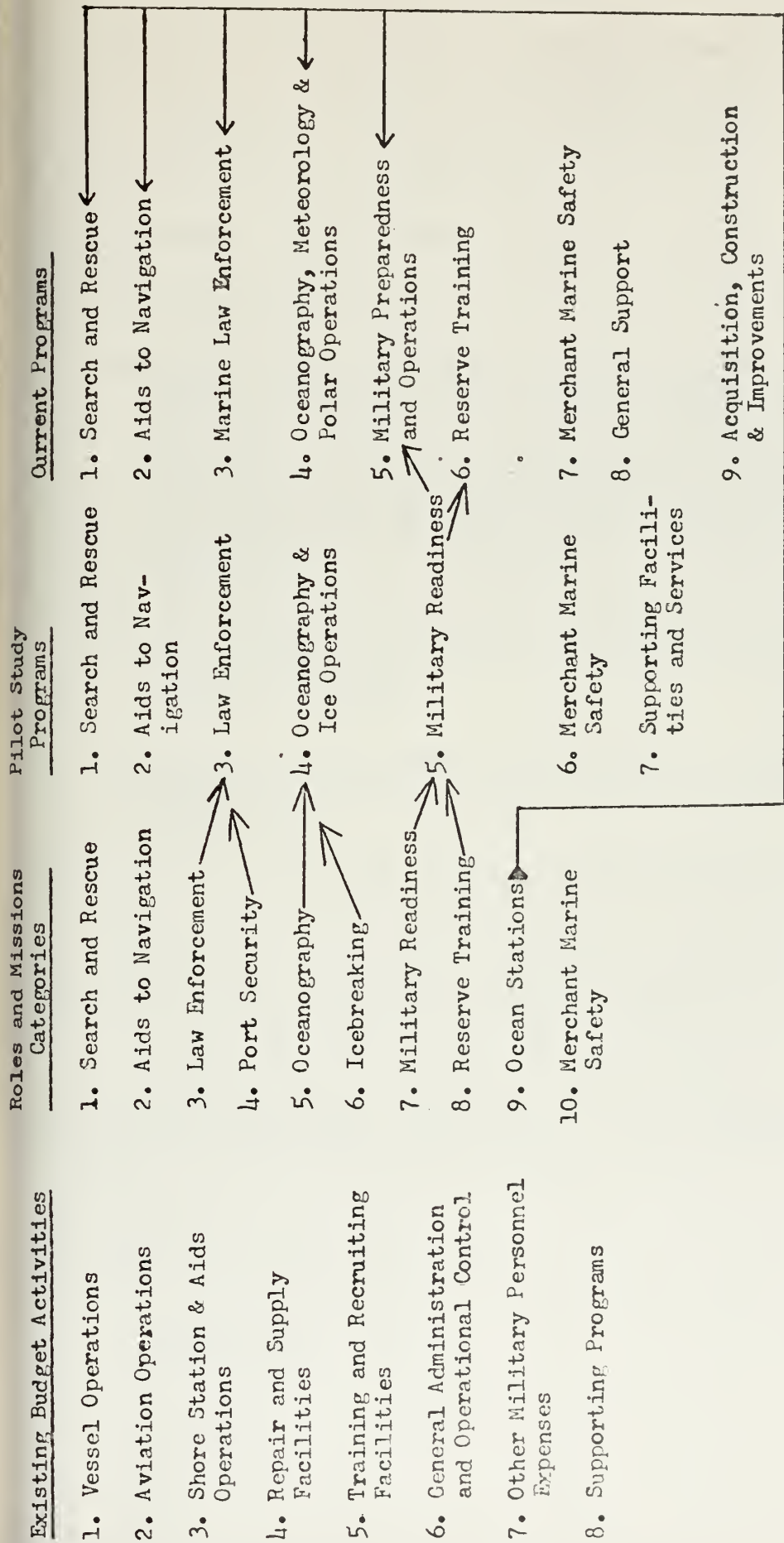
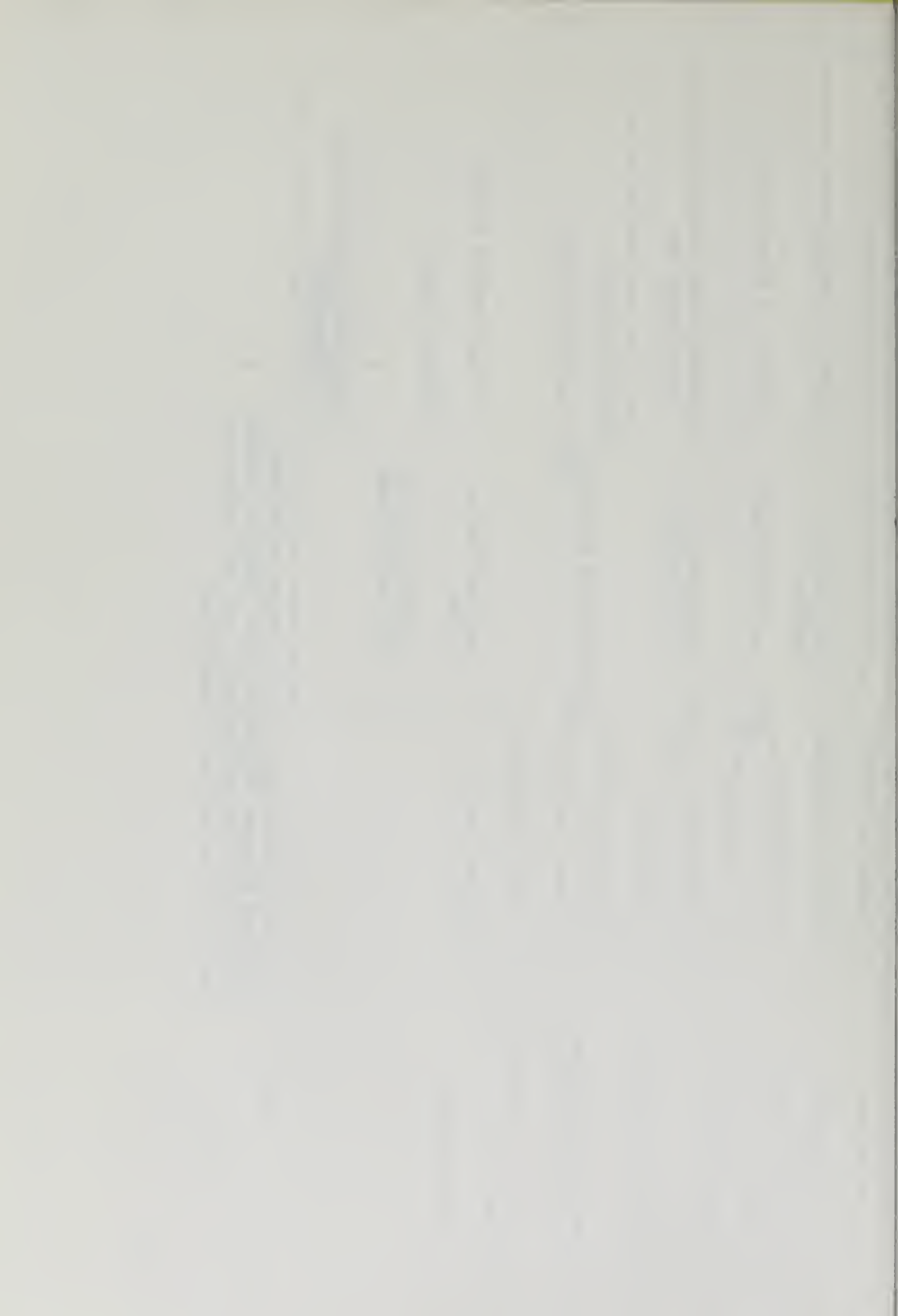


Fig. 7 -- Comparison between then existing budget activities, Roles and Missions Categories, Pilot Study to Develop Program Budget selected programs, and the Program now used in the current Coast Guard Budget.

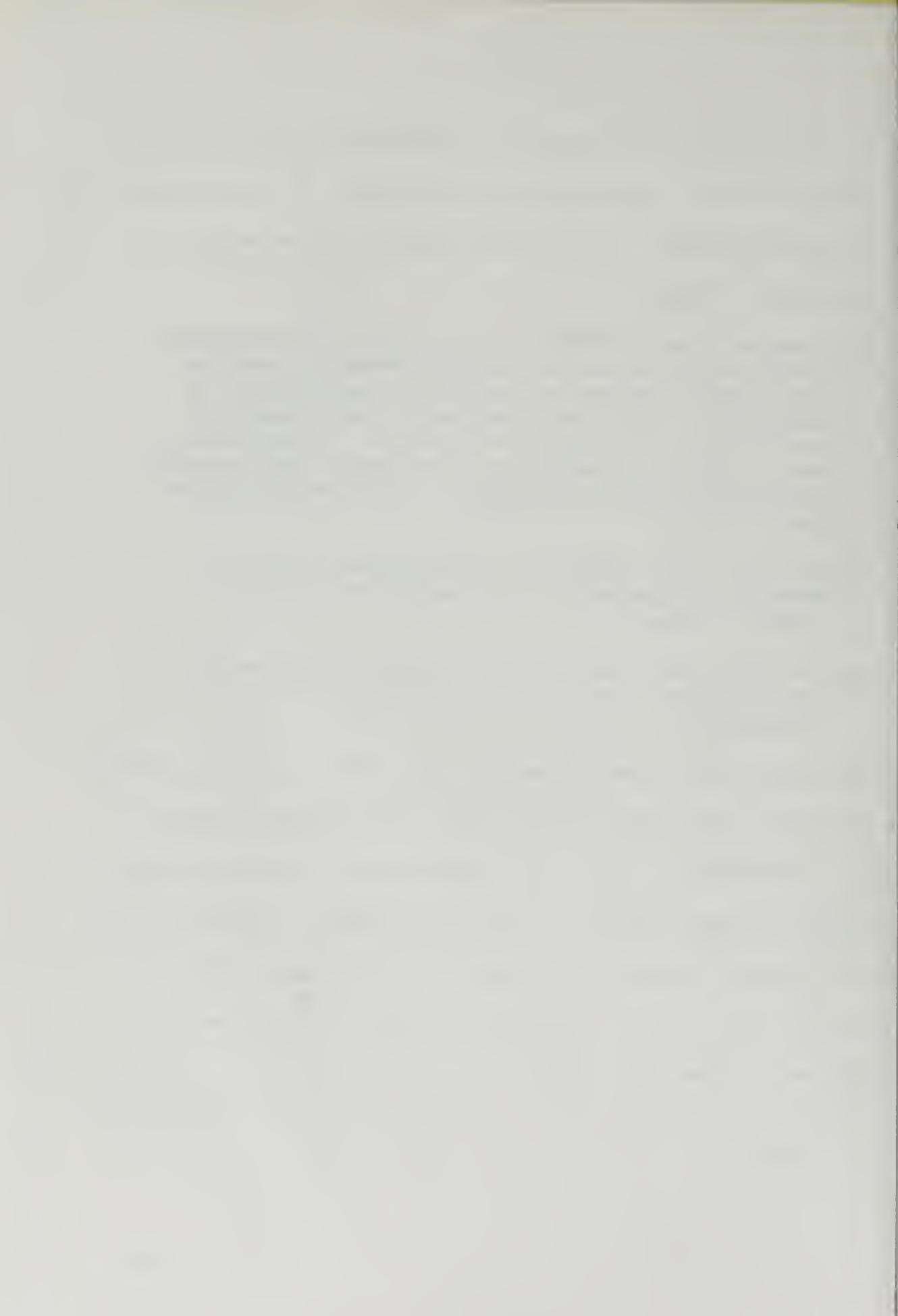


In studying the problem of distributing program costs, the Advisory Group considered the possibility of reorganizing the accounting system. This reorganization was rejected for the following reasons:

- (a) Program classification of costs at the transaction level would necessitate establishment of complex and costly systems for the daily distribution of personnel, fuel, and other day-to-day operating costs based on program performance. Other costs not ordinarily charged to units would still require proration on past performance or estimated future performance.
- (b) The technical problem of implementing this cost accounting system with any degree of accuracy would be immense.
- (c) For units performing varied duties, a degree of proration of direct costs probably would be inevitable.¹

Having rejected the idea of reorganizing the accounting system, the Advisory Group chose to distribute costs among programs based on the best available workload factors. An examination of the methodology used by the Advisory Group to distribute the cost of existing budget activities to the programs indicated on Figure 7 will help to clarify the process of program budget development in the Coast Guard.

¹Ibid., pp. 17-18.



Vessel Operations

The distribution of vessel operations costs proved to be the easiest with which to deal. Here, use was made of the Quarterly Abstract of Operations Report which each vessel must submit. Though mission categories on the report were not the same as those in the Roles and Missions Study they could be easily adapted. The hours spent in the various activities listed on the report were converted into mission costs. Vessel standby and maintenance time was prorated according to the mission distribution of actual underway time.

Aviation Operations

Aviation operations costs were distributed in the same general manner as were vessel operations costs.

Shore Stations

Cost distribution for Shore Stations and Aids Operations could not follow the methods used for vessels and aircraft since these units do not submit Abstract of Operations reports. Thus, there was no established method to account for the mission time spent by shore stations and the Advisory Group did not feel that instituting one was advisable. Instead, it noted that military pay and allowances constituted about sixty-seven percent of total shore station costs. Since pay and allowances costs

could be subdivided into categories which represent the various types of personnel billets at the shore unit, these costs could easily be converted in terms of mission or programs. The Advisory Group calculated the percentage of costs for each category in the area of pay and allowances and applied these percentages to all shore station costs. However, the Advisory Group recognized the imperfections of this method and indicated that additional study in this area would be needed.¹

Other Program Costs

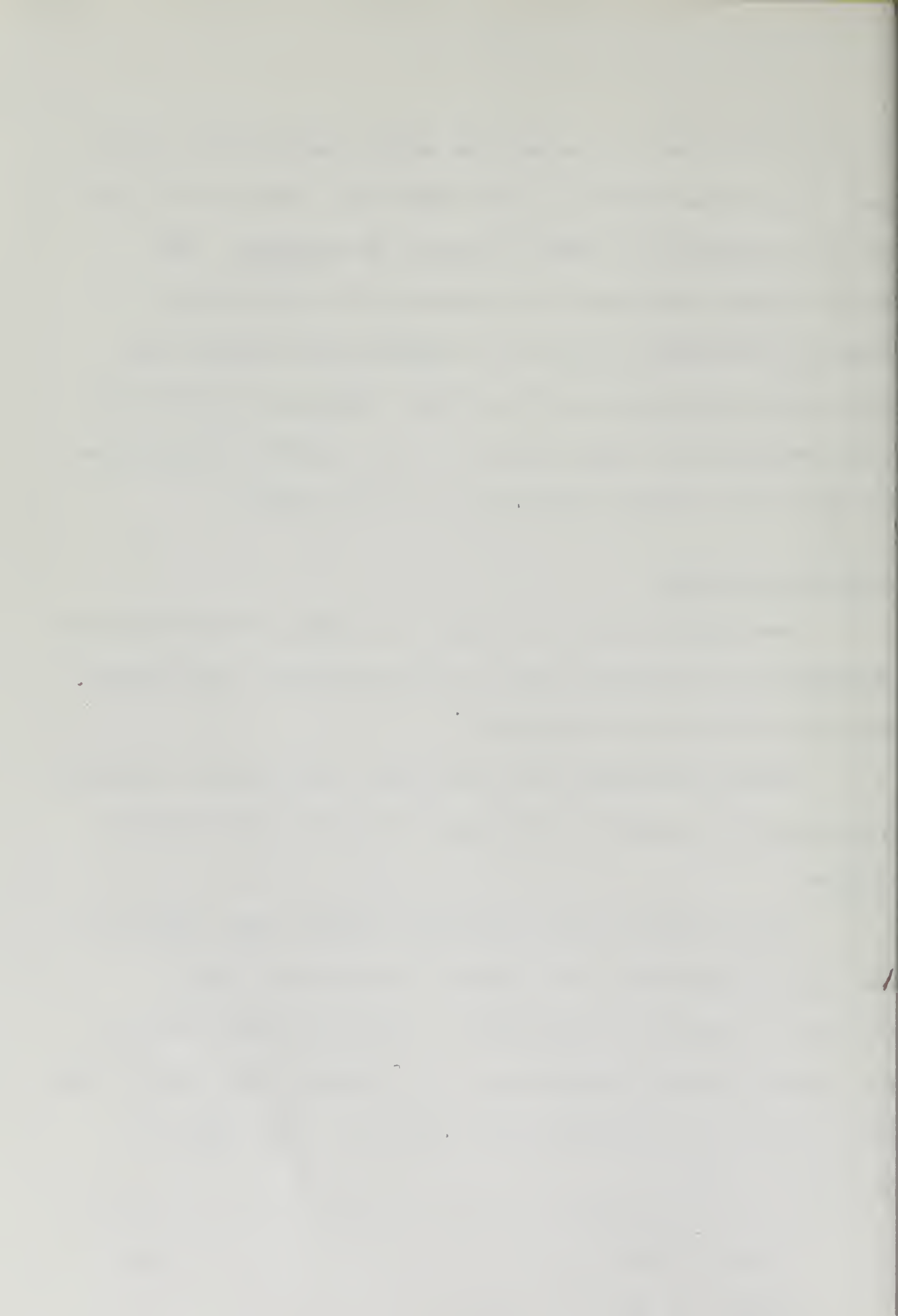
The operating costs of Repair and Supply Facilities were considered to be largely fixed and were assigned to the Support Facilities and Services Program.²

Training and Recruiting costs not attributable to Reserve Training were assigned to the Support Facilities and Services Program.

Administration and Operational Control costs, which are made up of Headquarters and District Office costs, were assigned to programs on the basis of the relationship between the various offices and programs. For example, the costs of the Office of Aids to Navigation were assigned to the Aids to Navigation Program.

¹Ibid., p. 36.

²Ibid., p. 38.

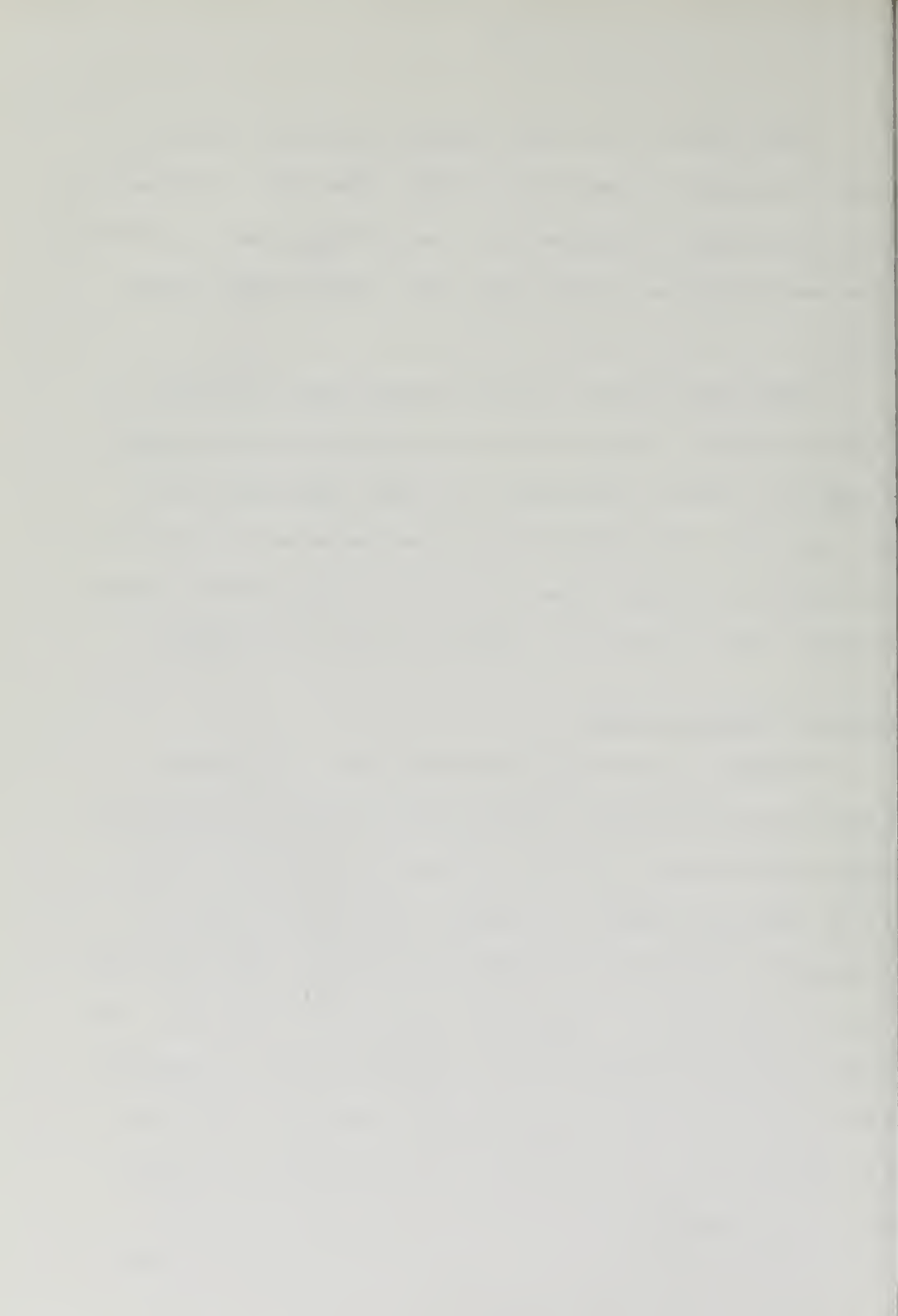


Other Military Personnel Expenses included such things as travel expenses and recreation costs. They were allocated to all existing budget activities and then were assigned to programs in the same proportion as were the other costs of each budget activity.

Supporting Programs budget activity costs consisted of such things as the transportation costs of materials, equipment and supplies, vehicle procurement and small arms ammunition. These costs were distributed in the same manner as the costs of Other Military Personnel Expenses, first to the existing budget activities, then as part of a budget activity to a program.

Results of the Pilot Study

Through the techniques described above, the Budget Advisory Group distributed seventy-nine percent of the Operating Expense Appropriation to budget programs and then determined that the remaining twenty-one percent should be assigned to the Supporting Facilities and Services program. Realizing that in their study they had considered only operating expenses, the Advisory Group recommended that the existing format of Reserve Training and Retired Pay be left intact. They also indicated that the Acquisitions, Construction, and Improvements program should be converted to appropriations along program mission



lines but acknowledged that this conversion would have to be preceded by integrated internal planning with mission orientation.

Pilot Study Contribution

The major contribution of the program budget Pilot Study was its development of a methodology for the distribution of budget activity costs within a newly developed program structure. As of this writing, there have been no major changes in the methodology described above. Another important contribution of the Pilot Study was that it pointed out the areas in which further consideration would be necessary before a program budget could be implemented.

Implementing a Program Budget

On March 4, 1964, the Comptroller of the Coast Guard, as the senior member of the Budget Advisory Group, submitted the Pilot Study to Develop Program Budget to the Chief of Staff. In submitting the study, the Comptroller called attention to the fact that "The study does not recommend any new reports or fundamental changes in our existing information system."¹ With only some modifications, the Chief of Staff approved the Pilot

¹U. S. Coast Guard, Senior Member, Budget Advisory Group Memorandum to Chief of Staff, Transmittal of Pilot Study to Develop a Program-oriented Budget, March 4, 1964, p. 1.



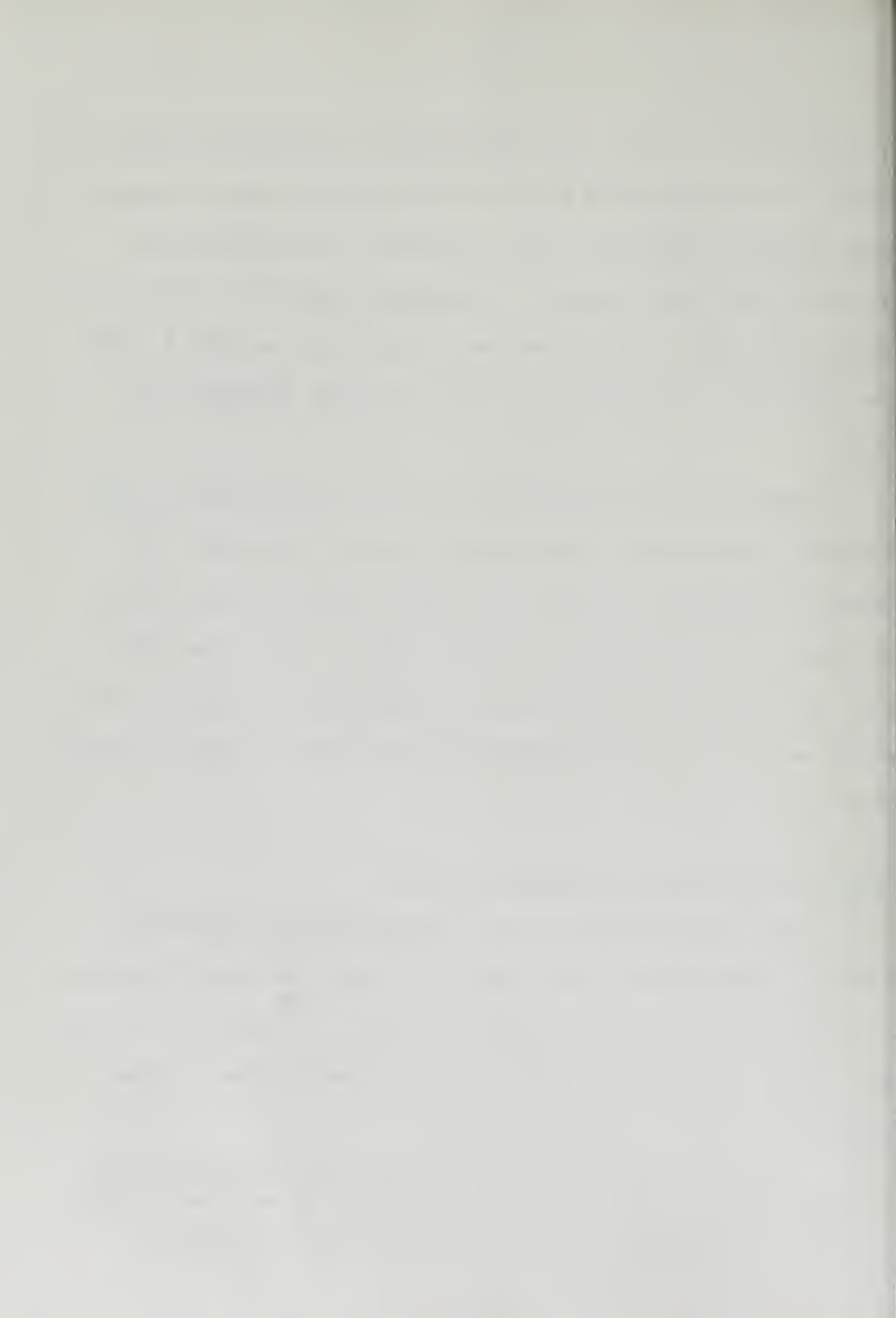
study on April 2, 1964. In the process of implementing the Pilot study, it was determined that no major changes would be made in funds control, and costs would continue to be collected by facility and not by programs. During May and June, 1964 revised budget forms and instructions were issued, and on July 1, 1964 the collection of workload and fiscal data by programs was begun.

When the President called for the introduction of the Planning, Programming, and Budgeting System throughout the Federal Government on August 25, 1965, the Coast Guard was in the midst of implementing a program budget. Thus, the work that the Coast Guard had already accomplished in this direction would serve as a firm foundation for carrying out the President's directive.

Bureau of the Budget Bulletin No. 66-3

The formal directive for implementing an integrated Planning, Programming, and Budgeting System came from the Bureau of the Budget. As agent for the President, the Bureau described the current planning and budgeting shortcomings that program budgeting would be able to correct.

Program review for decision making has frequently been concentrated within too short a period; objectives of agency programs and activities have too often not been specified with enough clarity and concreteness; accomplishments



have not always been specified concretely; alternatives have been insufficiently presented for consideration by top management; future year's costs of present decisions have not been laid out systematically enough; and formalized planning and systems analysis have had too little effect on budget decisions.¹

The Bureau went on to state that the broad objective of the system is

. . . to provide more effective information and analysis to assist line managers, the agency head, and the President in judging needs and in deciding on the use of resources and their allocation among competing claims.²

The concepts upon which the program budget is based are:

(1) agencies must analyze objectives and programs designed to meet objectives, (2) there must be an agency multi-year planning and programming process and a meaningful information system, and (3) the agency budget process must allow for the translation of broad program decisions into budget context complete with program and financial data.³

The essentials of the integrated Planning, Programming, and Budgeting System are:

(1) An output-oriented program structure which presents data on all of the operations and activities in categories which reflect the agency's end purposes or objectives . . .

¹U. S., Bureau of the Budget, Bulletin No. 66-3, Planning--Programming--Budgeting, October 12, 1965, p. 1.

²Ibid.

³Ibid., p. 2



- (2) Analysis of possible alternative objectives of the agency and of alternative programs for meeting these objectives . . . comparing both costs and benefits.
- (3) Adherence to a time cycle within which well-considered information and recommendations will be produced at the times needed for decision-making and for the development of the President's budget and legislative program.
- (4) Acceptance by line officials (from operating levels up to the agency head), with appropriate staff support, of responsibility for the establishment and effective use of this system.¹

Budget data would now be organized on the basis of major programs and would thus reflect the future as well as the current implications of decisions. The Bureau recognized, however, that the budget submitted to Congress would have to be justified in terms of individual appropriations; therefore, program decisions were to be translated into appropriations requests with a clearly defined relationship between the requests and program decisions.

To effect a Planning, Programming, and Budgeting System, the Bureau required that the following three documents be submitted: the program memoranda, the program and financial plan, and special studies. The purpose of the program memoranda is to:

- (1) Spell out specific programs for the multi-year time period recommended by the agency . . . show total costs of recommended programs and specific ways in which they differ from current programs and those of the past.

¹Ibid., pp. 2-3.

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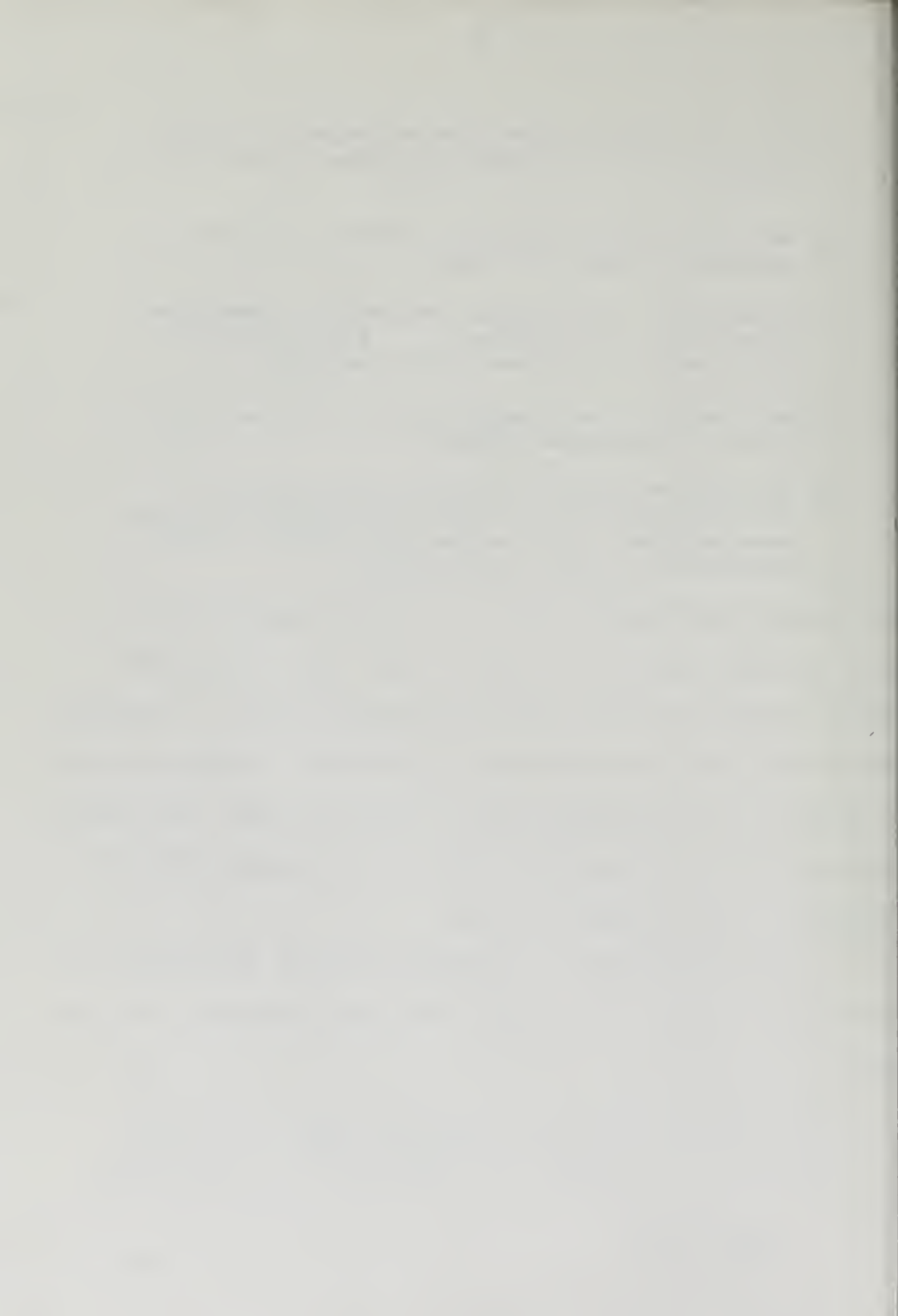
- (2) Describe program objectives and expected concrete accomplishments and costs for several years into the future.
- (3) Describe program objectives insofar as possible in quantitative physical terms.
- (4) Compare the effectiveness and cost of alternative objectives . . . programs . . . and of different levels within any given program category.
- (5) Make explicit the assumptions and criteria which support recommended programs.
- (6) Identify and analyze the main uncertainties in the assumptions and in estimated program effectiveness and costs and show the sensitivity of recommendations to these uncertainties.¹

The program and financial plan is a tabular presentation of pertinent data relating to outputs, costs, and financing of agency programs covering a period of several years. It reflects the program memoranda decisions. In addition, the plan includes a reconciliation of program costs to appropriations. The special studies provide the analytical basis for the program decisions contained in the program memoranda.

Thus, the Bureau of the Budget bulletin to implement an integrated Planning, Programming, and Budgeting System required that:

Over the next few years agency operating budgets used to allocate resources and control the day to day operations are to be brought into consistency with the Program

¹Ibid., p. 8.



and Financial Plan. Performance reports that show physical and financial accomplishments in relation to operating budgets should also be related to the basic plan.¹

Effects of the Bureau of the Budget Bulletin

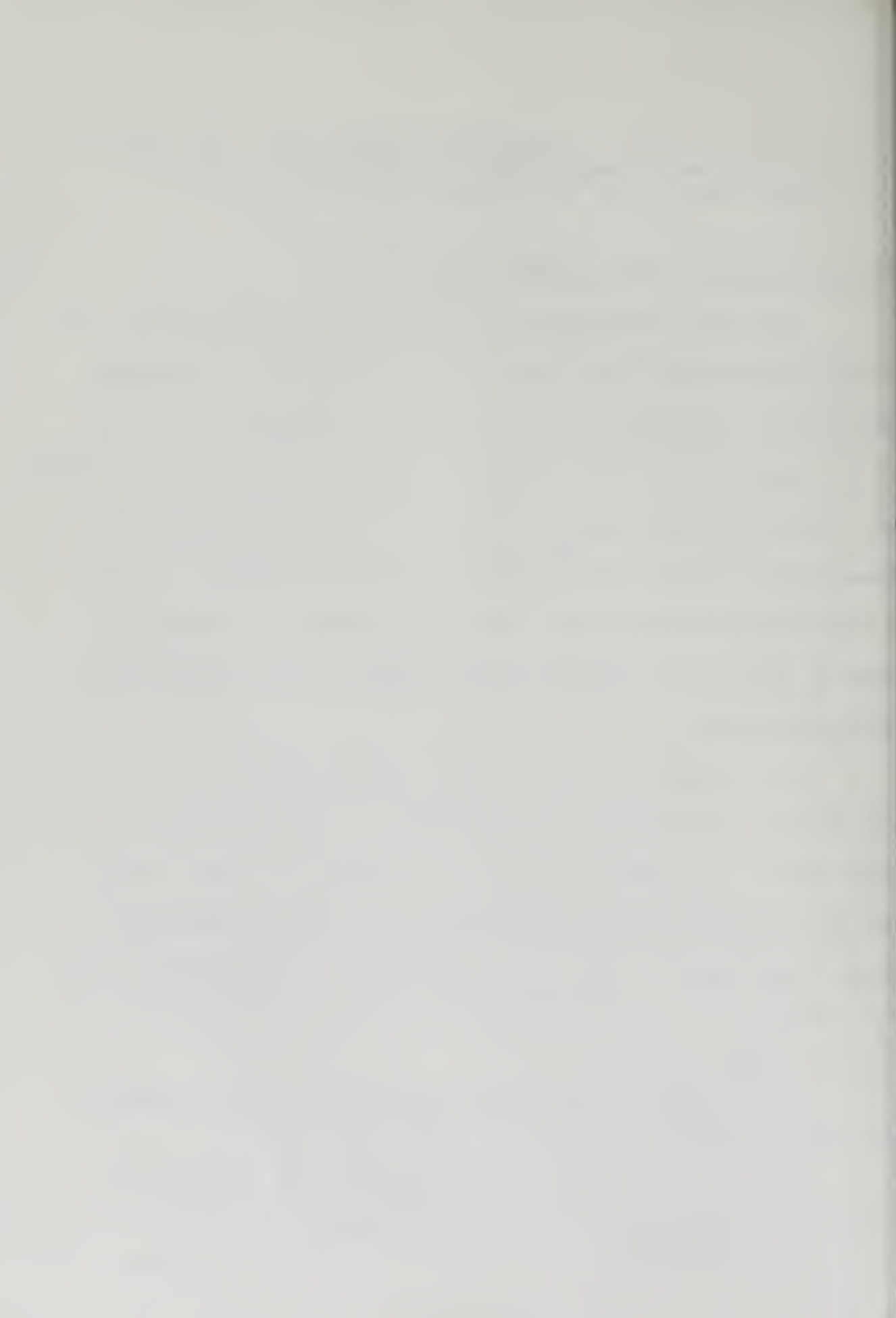
The Coast Guard's initial reaction to the Bureau of the Budget Bulletin was the establishment of an effective program structure. In cooperation with Treasury Department officials, it was agreed that most of the Coast Guard's missions or programs, as they would now be called, would fall under the Treasury Department program of Assistance to Maritime Commerce.² With a defined program structure, the next step was to determine program goals and projected accomplishments quantified in non-financial terms.

In February, 1966, the Coast Guard submitted its objectives and projected accomplishments to the Treasury Department. It contained criteria on parameters only, leaving the development of quantified objectives and accomplishments for a later date.³ For example, the Aids to Navigation program

¹Ibid., p. 9.

²U. S. Coast Guard Headquarters Notice 5010, Planning--Program--Budgeting, December 17, 1965, enclosure (2).

³U. S. Coast Guard, Memorandum from the Commandant to Director Officer of Planning and Program Evaluation, Treasury Department, Planning, Programming, and Budgeting System, February 2, 1966, p. 1.

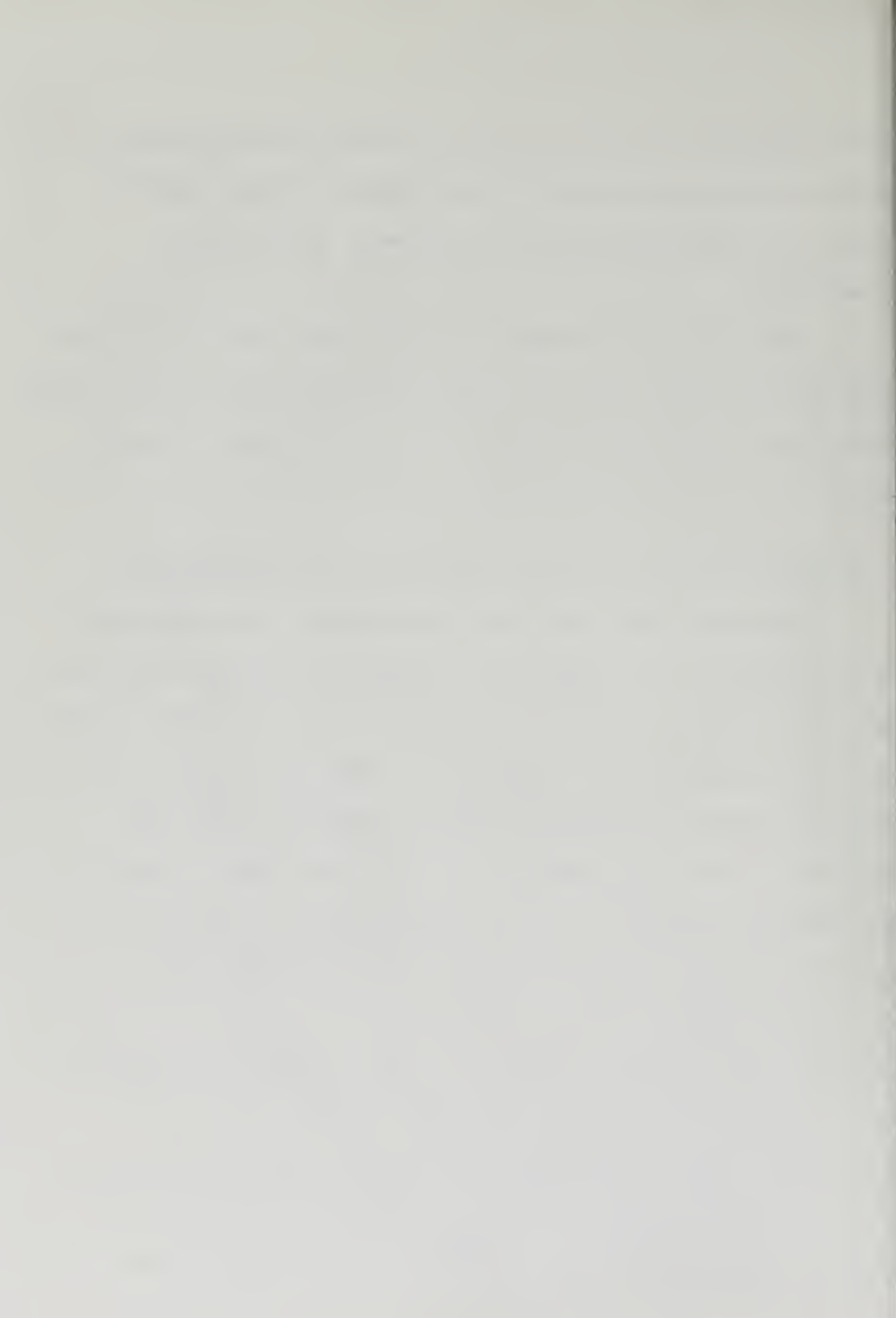


used a percentage of reliability as its goal; accomplishments for lighted buoys were expressed in the number of buoys operated versus the actual percentage of outages or deficiencies experienced.

The Coast Guard Budget for Fiscal Year 1967 was the last completely facility-oriented budget produced by the service. The 1968 Budget was supported by program memoranda and a financial plan.

Program Structure under the Department of Transportation

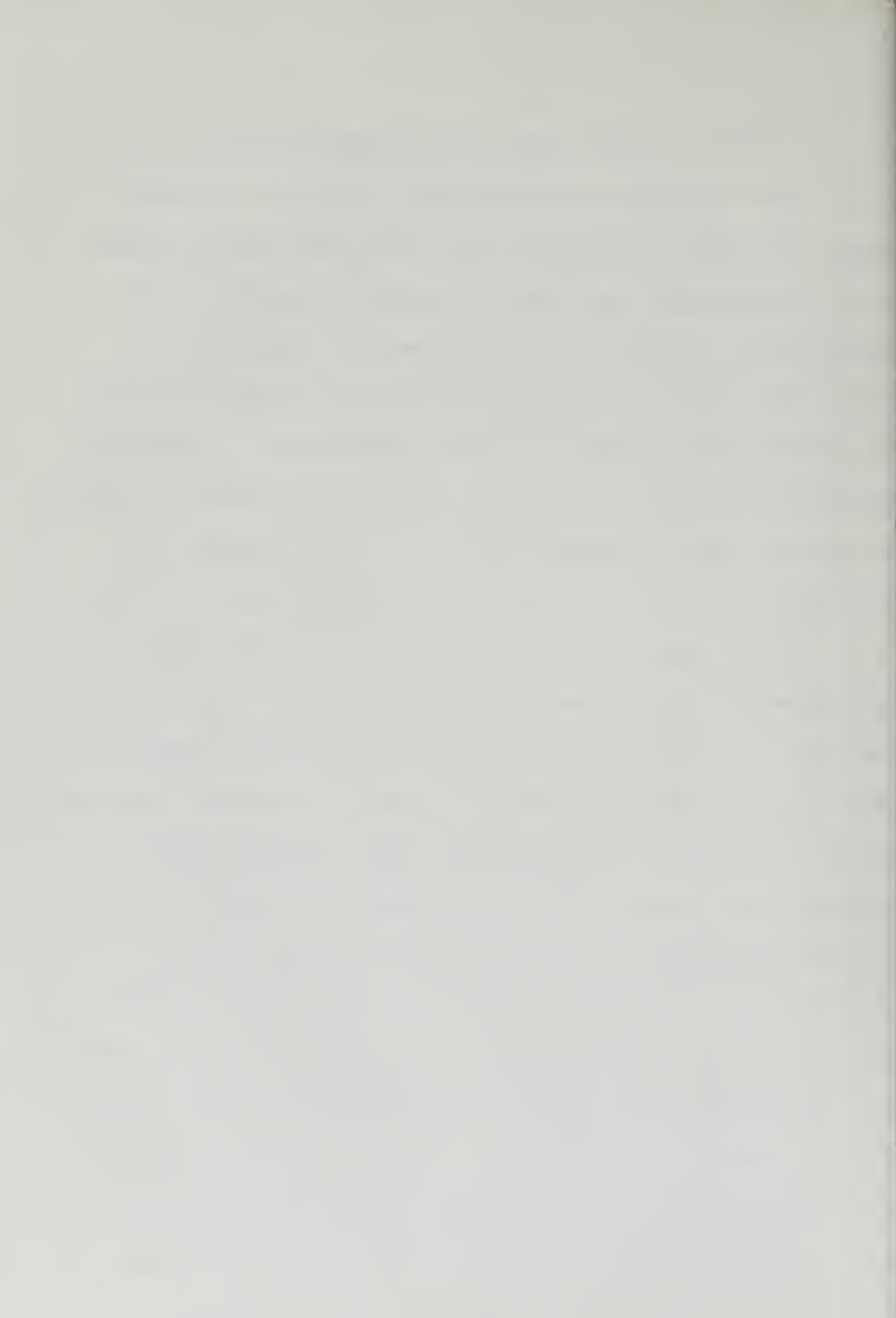
When the Coast Guard was transferred to the Department of Transportation, the Department accepted the program structure and the two Coast Guard missions which had been developed under the Treasury Department: assistance to Maritime Commerce and Military Support for National Defense Purposes. Under the Assistance to Maritime Commerce fall the Coast Guard missions of (1) Search and Rescue, (2) Aids to Navigation, (3) Law Enforcement, (4) Oceanography, Meteorology and Polar Operations, (5) Merchant Marine Safety, (6) General Support Facilities and Services, and (7) Capital Outlays. Under Military Support fall the missions for (1) Reserve Training, and (2) Military Readiness. Appendix I outlines the current Coast Guard program structure and indicates the program elements or outputs which support each program.



Program Budget Impact on the Budget Document

For the purpose of this paper, the most significant impact of program budgeting on the Coast Guard Budget Document is its presentation according to a program structure. The Commandant now submits to the Department of Transportation budget data which is organized on the basis of major programs and reflects both current and future implications. The program memoranda, program and financial plan, and the results of special studies are used to present the Coast Guard's programs and justify the requests for Congressional appropriations.

This change in budget format from the traditional appropriation budget, however, is not reflected in the budget requests submitted to the Commandant by the District Commanders. These requests have not changed from their traditional appearance nor has the method of filling them. When appropriations are received from Congress, they are divided and allocated to the District Commanders in accordance with his budget request. Though the Operating Expense Appropriation is now justified in program terms by the Commandant, each District Commander requests and receives his share of this appropriation according to functional subheads such as personnel travel, electronic maintenance, vessel maintenance, fuel, and shore structure and buoy maintenance. Each of these subheads is controlled by a different



manager. For example, funds for vessel maintenance are managed by the Chief of the Naval Engineering Branch of the District Engineering Division. Funds are requested and allocated by him on the basis of the overall district vessel requirements without consideration of program objectives or costs. This indicates that the implementation of the Planning, Programming, and Budgeting System has taken place only within Headquarters.

The program budget submitted by the Commandant is in fact a nationally conceived Coast Guard program. Essentially, budget requests submitted by the District Commander are reviewed in Headquarters to insure that each district has considered the multitude of objects and services for which expenditures will be required in the applicable budget year. The budget appropriated by Congress is divided among the district subhead managers by the appropriate Headquarter's Subhead Manager (ie., Chief of Naval Engineering Division Headquarters to the District Naval Engineering Branch Chiefs), in the traditional manner. Thus, program planning and administration in Headquarters does not have its counterpart in the District offices.

How and Why Did Program Budgeting Develop in the Coast Guard?

Just as the recommendations of the Roles and Missions Study provided the impetus for the development of program



planning in the Coast Guard, so it did for the development of program budgeting. The Pilot Study was the outgrowth of the Roles and Missions Report's second recommendation that was discussed in Chapter IV. Once the Pilot Study, conducted by the Budgetary Advisory Group, determined the methodology for calculating and distributing direct and indirect costs, the Coast Guard had conquered the major hurdle in implementing a Planning, Programming, and Budgeting System. The Coast Guard began its implementation in mid-1964, more than a year before President Johnson called for the introduction of "a new and revolutionary system of planning and programming and budgeting."¹ With this Presidential directive and Bureau of the Budget's Bulletin No. 66-3, the Coast Guard became committed to a prescribed timetable and budget format. As required, the Coast Guard's Fiscal Year 1968 budget was in program format. This format, reflecting current and future implications, consisted of program memoranda supporting a program and financial plan.

If the organization structure of Coast Guard, as discussed in Chapter III, is kept in mind while the growth of Coast Guard program budgeting was traced in this chapter, an interesting fact comes to light: program planning and program administration

¹Weekly Compilation of Presidential Documents, August 30, 1965, loc. cit.



in Headquarters do not have counterparts in the district offices.
This contradiction will be explored in the following chapters.



CHAPTER VI

THE IMPACT OF THE PLANNING, PROGRAMMING, AND BUDGETING SYSTEM ON THE COAST GUARD

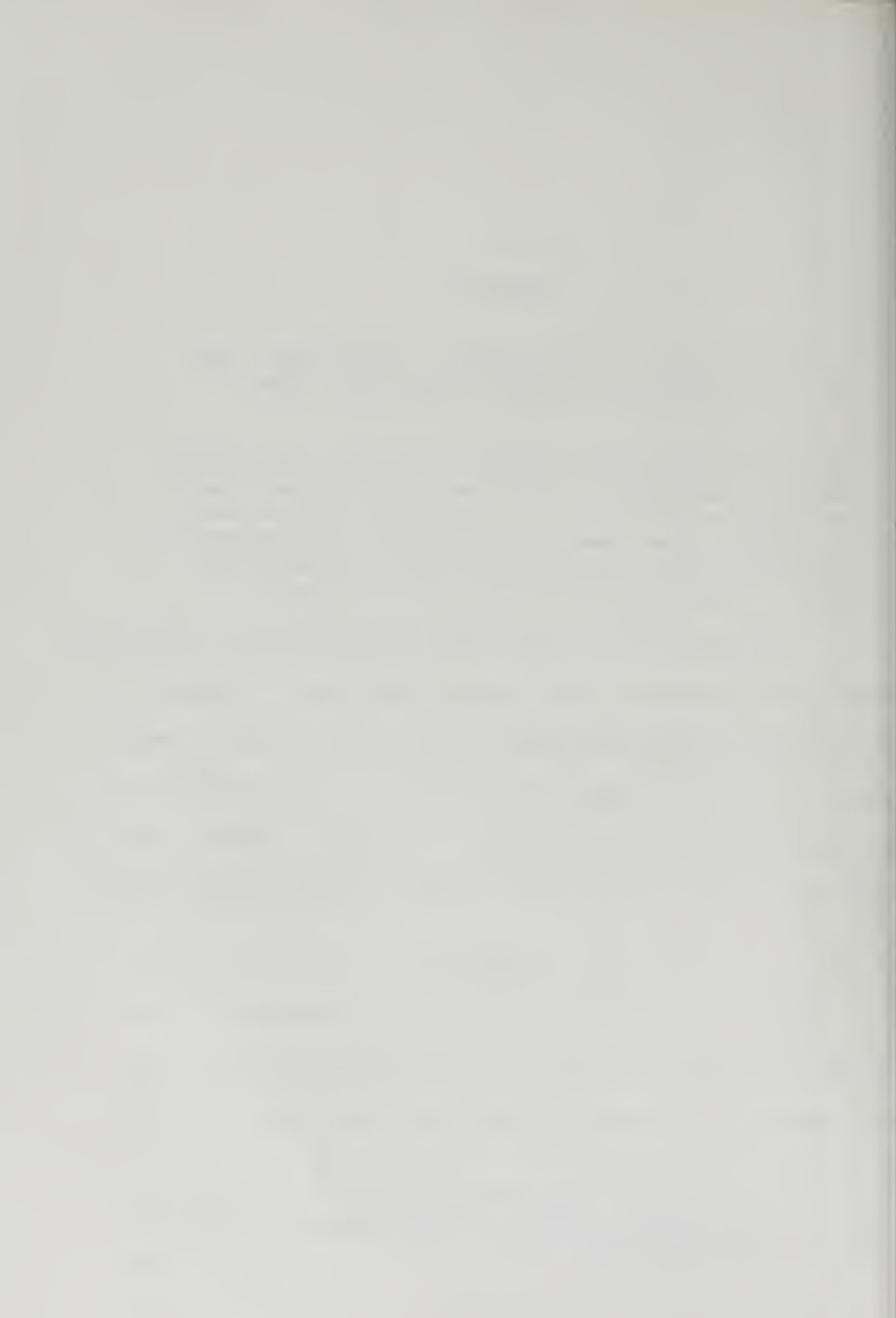
The most significant problem which faces top management is the extent to which various programs should be implemented within the total, limited resources available. The Planning, Programming, and Budgeting System has been developed as a tool to assist managers in the solution of this complex problem.¹

Research for this paper has provided strong evidence to support the contention that program budgeting is emerging as an effective tool of management in the Coast Guard. Though still in the early stages of development, it has already had an impact on Coast Guard systems, techniques, methods, and most important of all, it has had an impact on Coast Guard thinking.

Objectives

While Coast Guard objectives were formulated before the advent of program budgeting, the evolution of the Planning, Programming, and Budgeting System has given them additional

¹U. S., Coast Guard, Headquarters Instruction 5010.1, Implementation of the Planning, Programming, and Budgeting System, August 26, 1966, p. 3.



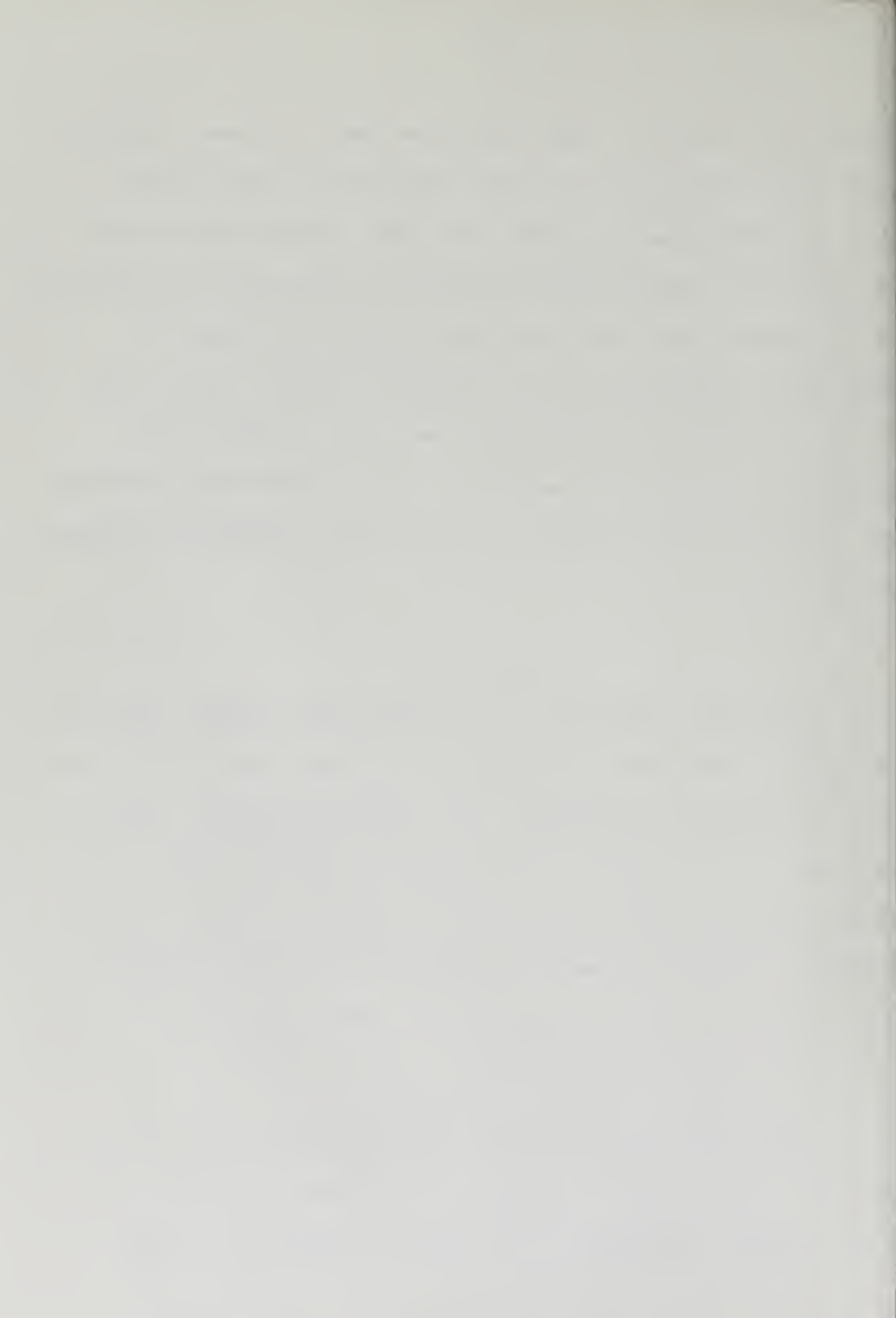
purpose and credence. These objectives have now been transformed from vague statements of purpose into definite goals toward which all Coast Guard programs are aimed. Objectives now set the goals for accomplishment, provide the foundation for decisions in allocating Coast Guard resources, and are the basis for judging the effectiveness of a program's output. Though work is not yet completed on the development of quantified non-financial objectives for each element in the Coast Guard program, the organizational objectives are providing direction and purpose for this work.

Program Costs

With the implementation of Coast Guard program budgeting, the emphasis has been shifted from first-year costs to the total cost of programs and projects. Too often in the past, decisions were made on the basis of purchase cost or implementation costs while operating costs in the years to come were almost ignored. Program budgeting has necessitated an accounting for present and future, direct and indirect costs, when making decisions.

Program Alternatives

The Planning, Programming, and Budgeting System requires that all alternatives be analyzed to seek those with the greatest effectiveness. Therefore, Coast Guard programs are viewed in

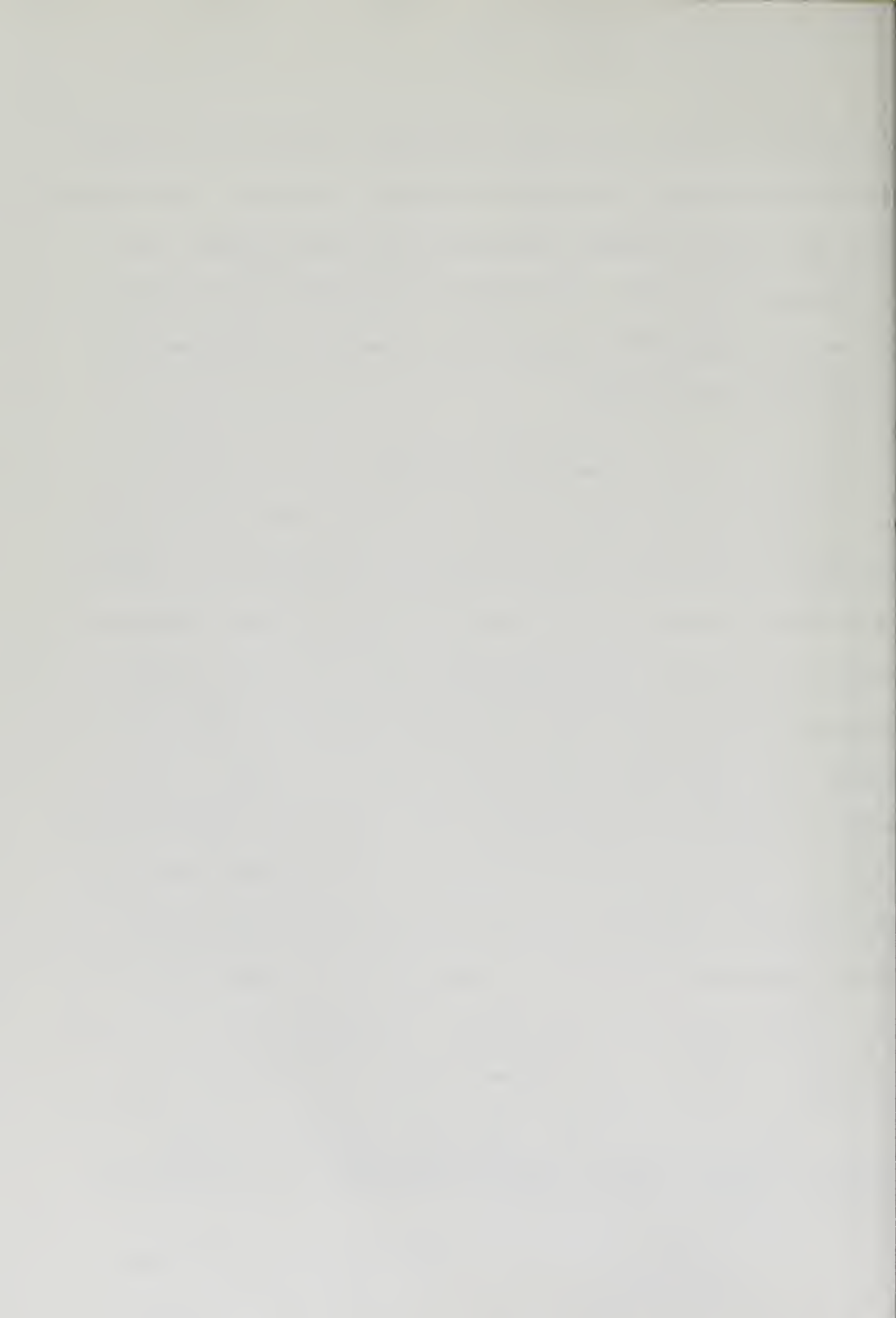


combinations to determine which of these combinations of alternatives are the most effective for overall objective achievement. Decisions within programs are made in this same manner. By considering total cost and making a full evaluation of alternatives, program effectiveness and economy can now be measured in more meaningful terms.

Analysis Techniques

The program budget system recognizes that, "in reality, most major long-range planning decision problems must ultimately be resolved primarily on the basis of intuition and judgement."¹ However, the system also recognizes that the use of analysis techniques will sharpen intuition and judgement. These techniques come under such headings as "system analysis," "cost-benefit analysis," "cost-effectiveness analysis," "cost-utility analysis," and other similiar titles. All of these techniques are designed to identify relevant alternatives and clarify their respective implications. Here the Coast Guard has made use of model simulation and computer techniques as quantitative methods of analysis. The implementation of the Planning,

¹David Novick (ed.), Program Budgeting: Program Analysis and the Federal Budget (Washington: U. S. Government Printing Office, 1965), p. 67.



programming, and Budgeting System will be aided by the results of present research on the quantification of program objectives in non-financial terms.

Organization Structure

The impact of the Planning, Programming, and Budgeting system on the Coast Guard organization structure was negligible until the January, 1968 reorganization of the Headquarters Chief of Staff's Office. His office is the coordination center for Coast Guard planning, programming, and budgeting. A further attempt to integrate the system was made in the recent selective addition of new planning billets throughout the Headquarters organization. However, as indicated in Chapter III, the focus of the current implementation of the Planning, Programming, and Budgeting System has been centralized in the management within Headquarters and the rest of the traditional organization structure of the Coast Guard remains unchanged.

Coast Guard Thinking

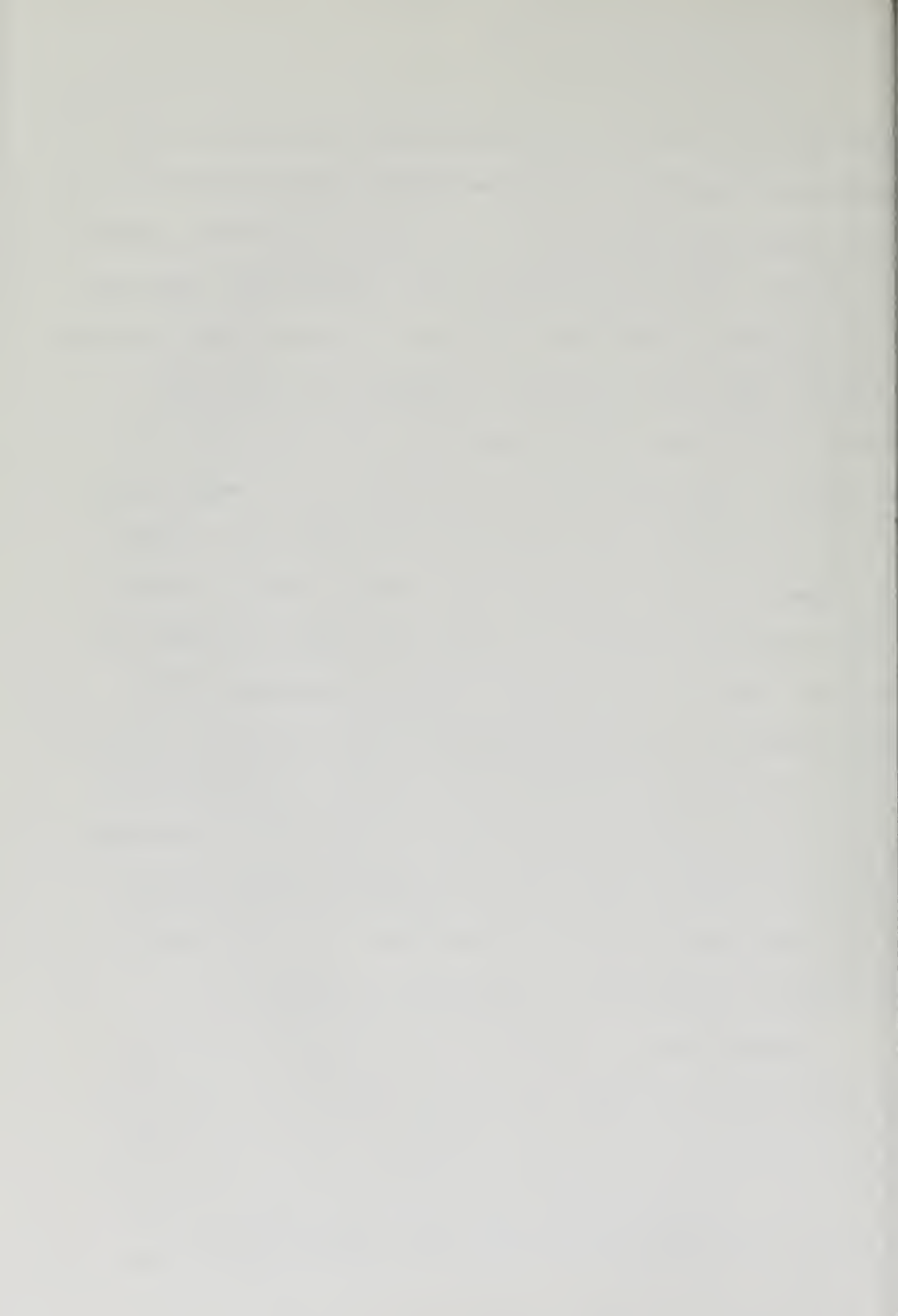
The impact of the Planning, Programming, and Budgeting System on Coast Guard thinking has been a subtle one thus far. This is understandable since this system is new and still evolving. The advent of program budgeting has forced a recognition of the need for an integrated system. The Commandant



recognized this need when he indicated that the planning, programming, and budgeting concept had brought the service to a juncture where the necessity for and product of position papers, issue papers, and special studies would influence the future of the Coast Guard for many years to come.¹ It was at this juncture in August, 1967 that ten percent of Headquarters staff was assigned to full-time study groups for a period of three or more months. The topics under study were called "Comprehensive Planning, Programming, and Budgeting Requirements and covered every aspect of Coast Guard activity. These studies required in depth study and analysis of present and future programs and functions; they can only serve to further sophisticate Coast Guard thinking as a whole in addition to the individual thinking of the personnel participating in the studies. It may be some time before the achievements of these studies can be determined since many of these groups are still meeting and the reports of the other groups are not yet available. A list of these comprehensive study topics is contained in Appendix II.

Program managers in Headquarters, though concealed in the formal and traditional organization structure, are quickly revealed as they work for their program's share of the budget.

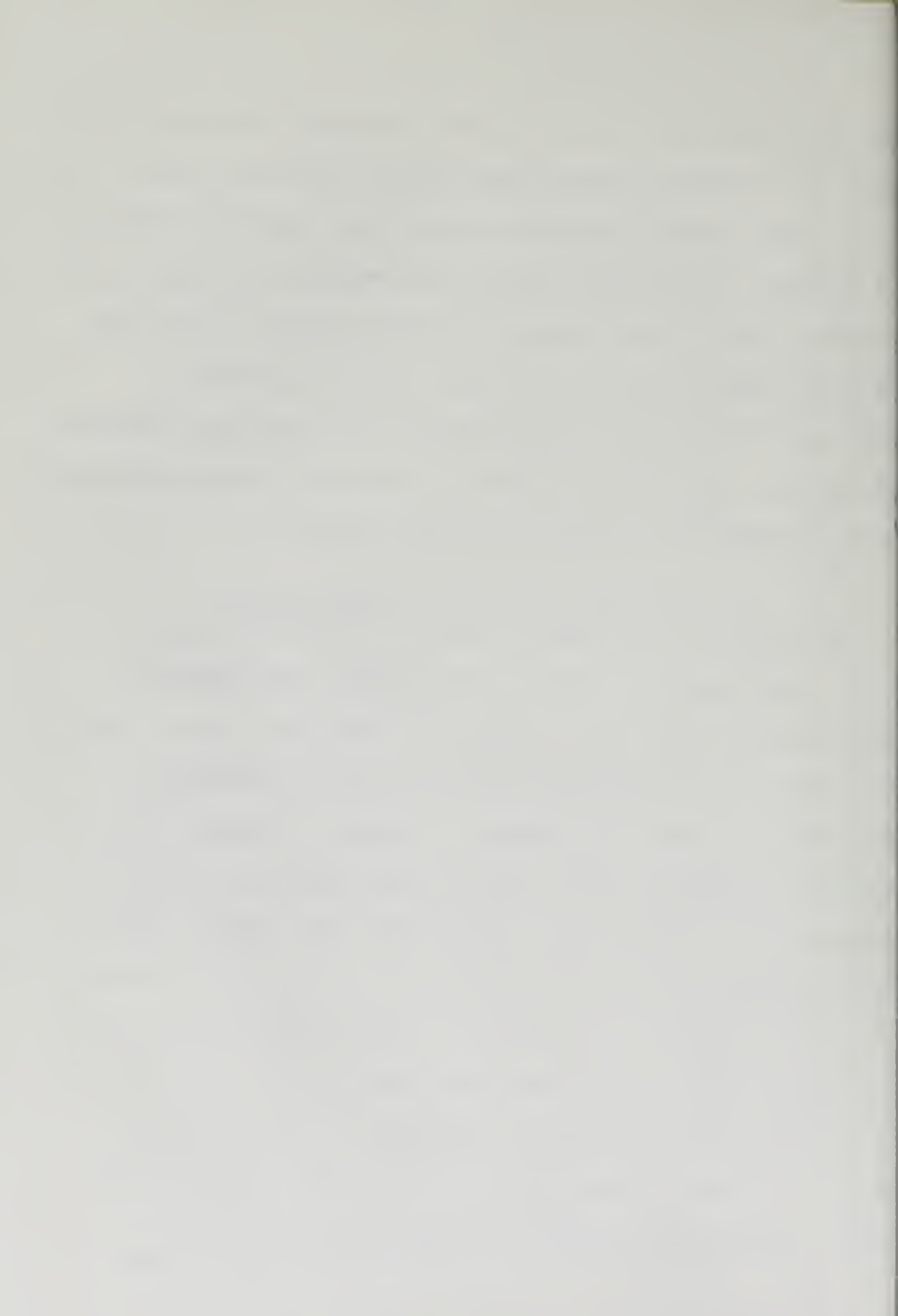
¹U. S., Coast Guard, Commandant Memorandum to Chiefs of Offices, Temporary Details for Staff Studies, August 7, 1967, p. 1.



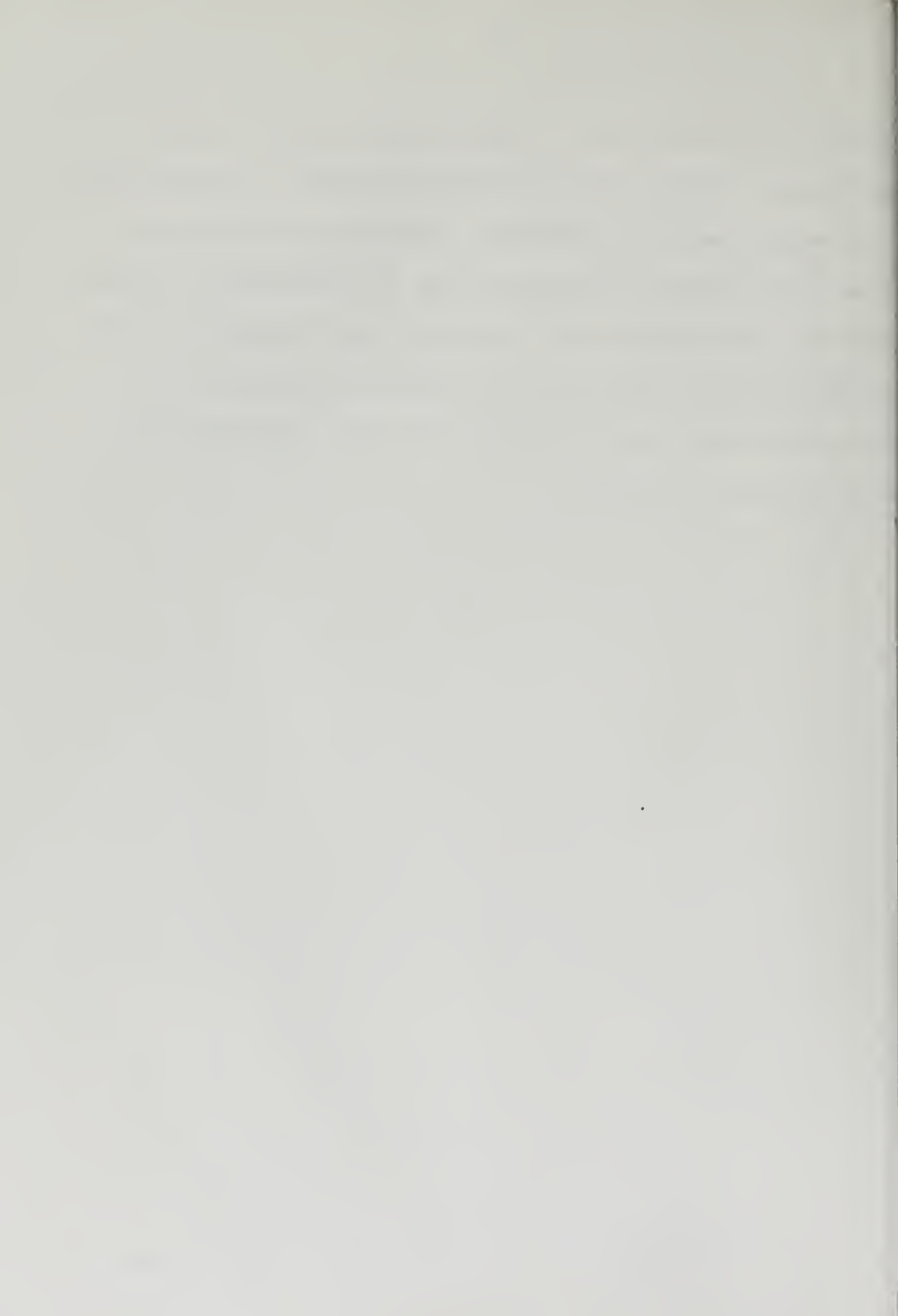
Their awareness and concern that their programs will meet the Coast Guard objectives have become a new, purposeful way in which a part of Coast Guard management views itself and directs its energies. Interviews with program-management personnel were steeped in talk of such things as program benefits, multi-year costs and implications and objective outputs of programs. Although this thinking is a by-product of an integrated Planning, Programming, and Budgeting System, it is also a highly influential factor in making the system itself more effective.

What Has Been the Impact of the Planning,
Programming, and Budgeting System on the Coast Guard?

The integrated Planning, Programming, and Budgeting System has had a far reaching effect on the Coast Guard. Under the influence of this system, objectives were meaningfully defined as the goals for program achievement. Economy and efficiency benefits resulted when program budgeting shifted the emphasis from initial costs to long-range total costs. Because program budgeting necessitates a thorough evaluation of program alternatives in decision making, it has stimulated efforts in quantifying both financial and non-financial objectives as well as the use of various analysis techniques. A recognizable structure of program management is being superimposed on the formal organization structure of Headquarters and is particularly



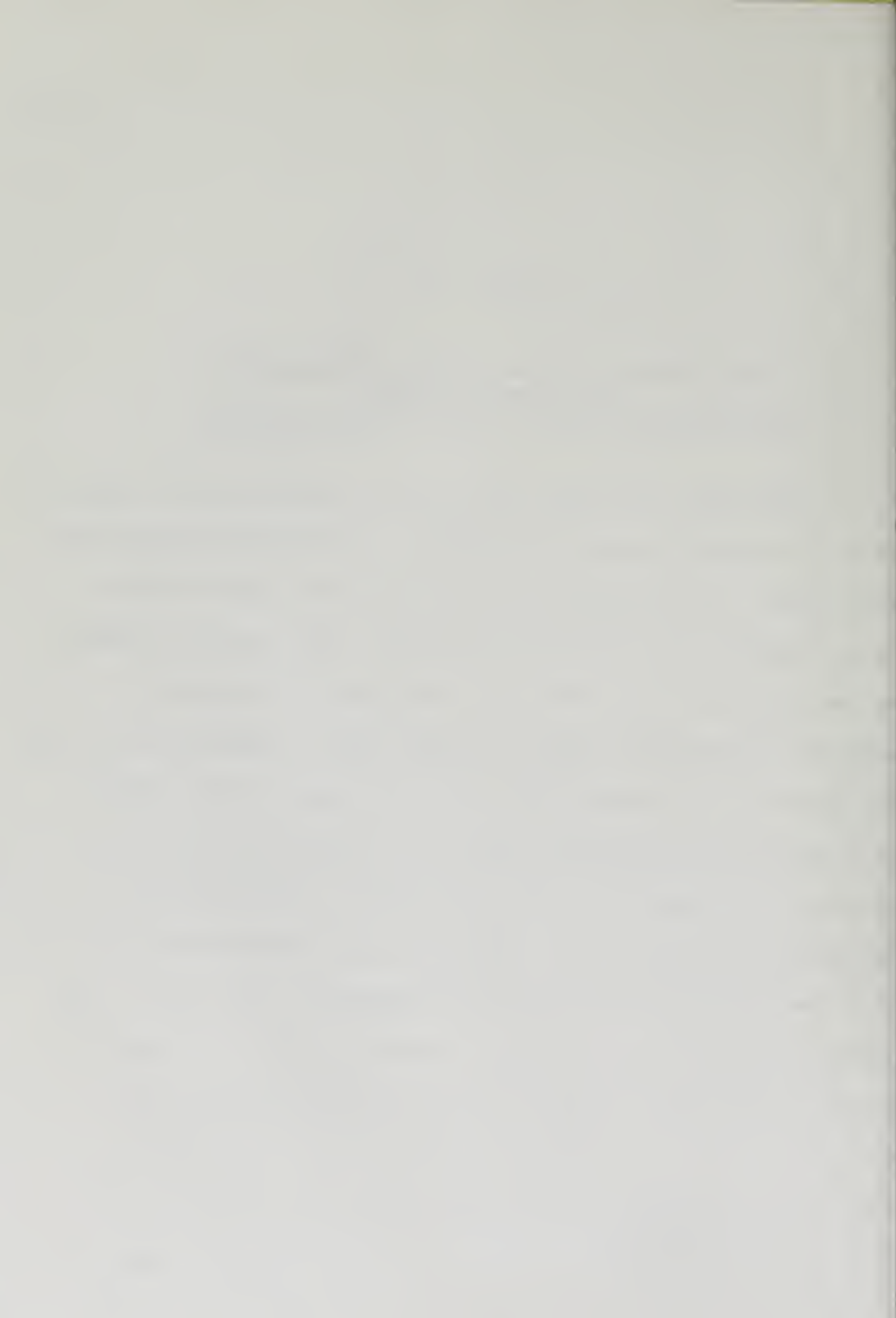
evident in the Headquarter's Chief of Staff Office. A more sophisticated thinking by Coast Guard management in Headquarters is now making use of the Planning, Programming, and Budgeting System as an effective management tool in allocating its limited resources. The progress that the Coast Guard has made under the influence of this system has been primarily responsible for a more positive Coast Guard position; the Coast Guard today is acting instead of reacting.



CHAPTER VII

THE POTENTIAL OF THE PLANNING, PROGRAMMING, AND BUDGETING SYSTEM AS AN EFFECTIVE TOOL OF COAST GUARD MANAGEMENT

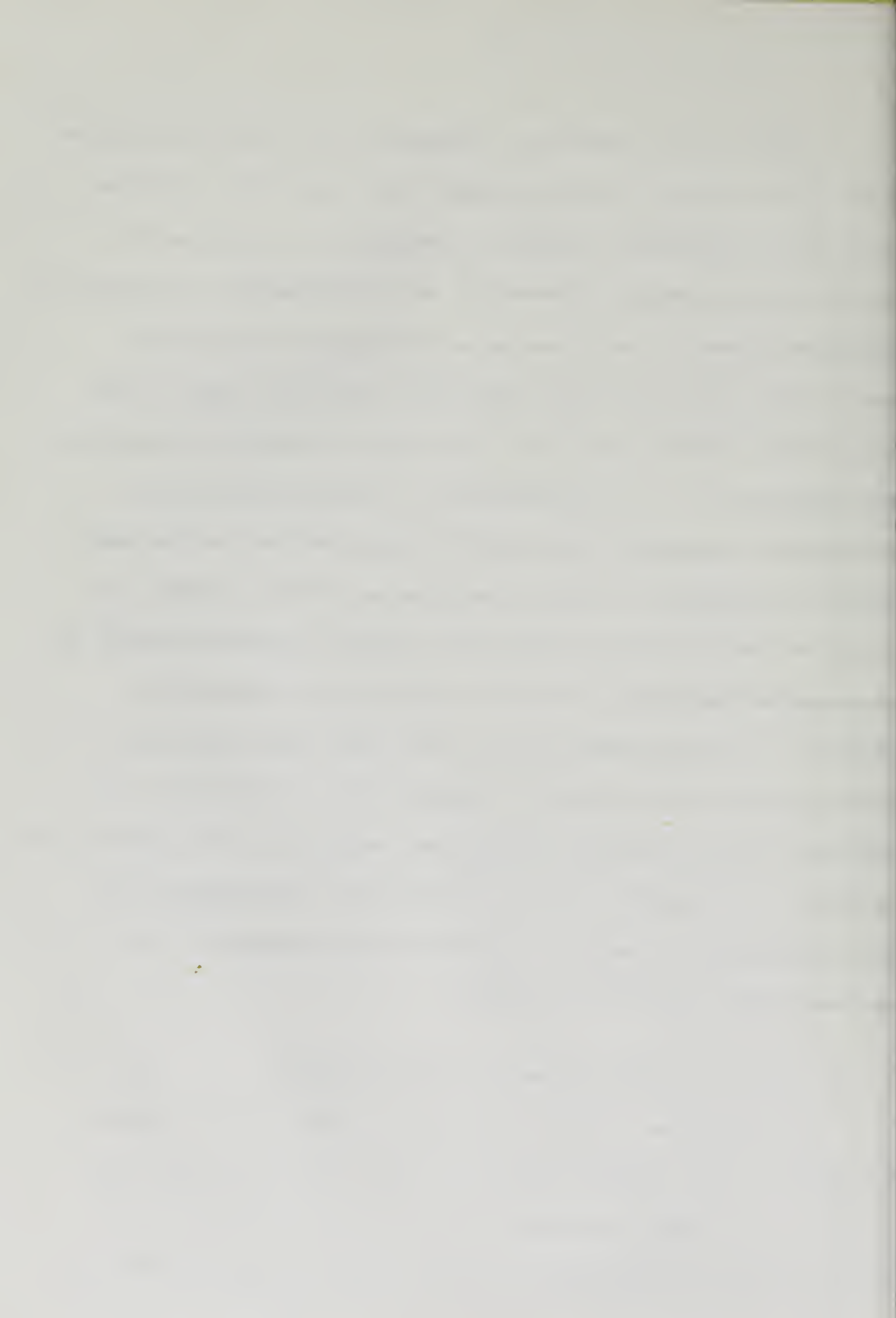
Throughout this paper the manifold objectives and benefits of an integrated Planning, Programming, and Budgeting System have been cited. It is commonly accepted that this system creates an environment for centralized management. This belief is based on two factors: first, that the techniques of information gathering and analysis require a great deal of centralized ability and capacity; and second, that decisions based on such information gathering and analysis requires a centralized control for effective implementation. Since management textbooks are replete with listings of the advantages and disadvantages of both centralized and decentralized management, they will not be repeated here. Instead we shall carefully present the author's point of view that the Coast Guard is rapidly approaching a point at which it must decide how far it wants to go with centralized management and to what degree decentralized management will be maintained.



Although the Planning, Programming, and Budgeting System is still evolving in the Coast Guard, the very nature of this evolution as indicated in previous chapters is strengthening centralized management. Therefore, as the strength of centralized management grows, it will become so entrenched that its own inertia will carry the Coast Guard past the point where it can selectively implement the most advantageous elements of decentralized management. It is fundamental to recognize here that governmental management can never be decentralized to the same extent as management in the private sector of the economy. By virtue of its regulatory framework, complete decentralization of governmental management is neither possible nor desirable. However, it is the author's belief that the Coast Guard will never approach the maximum of effectiveness in allocating its resources and in meeting its goals and objectives in a centralized management environment. Only by selectively implementing the most advantageous elements of decentralized management can maximum effectiveness be achieved.

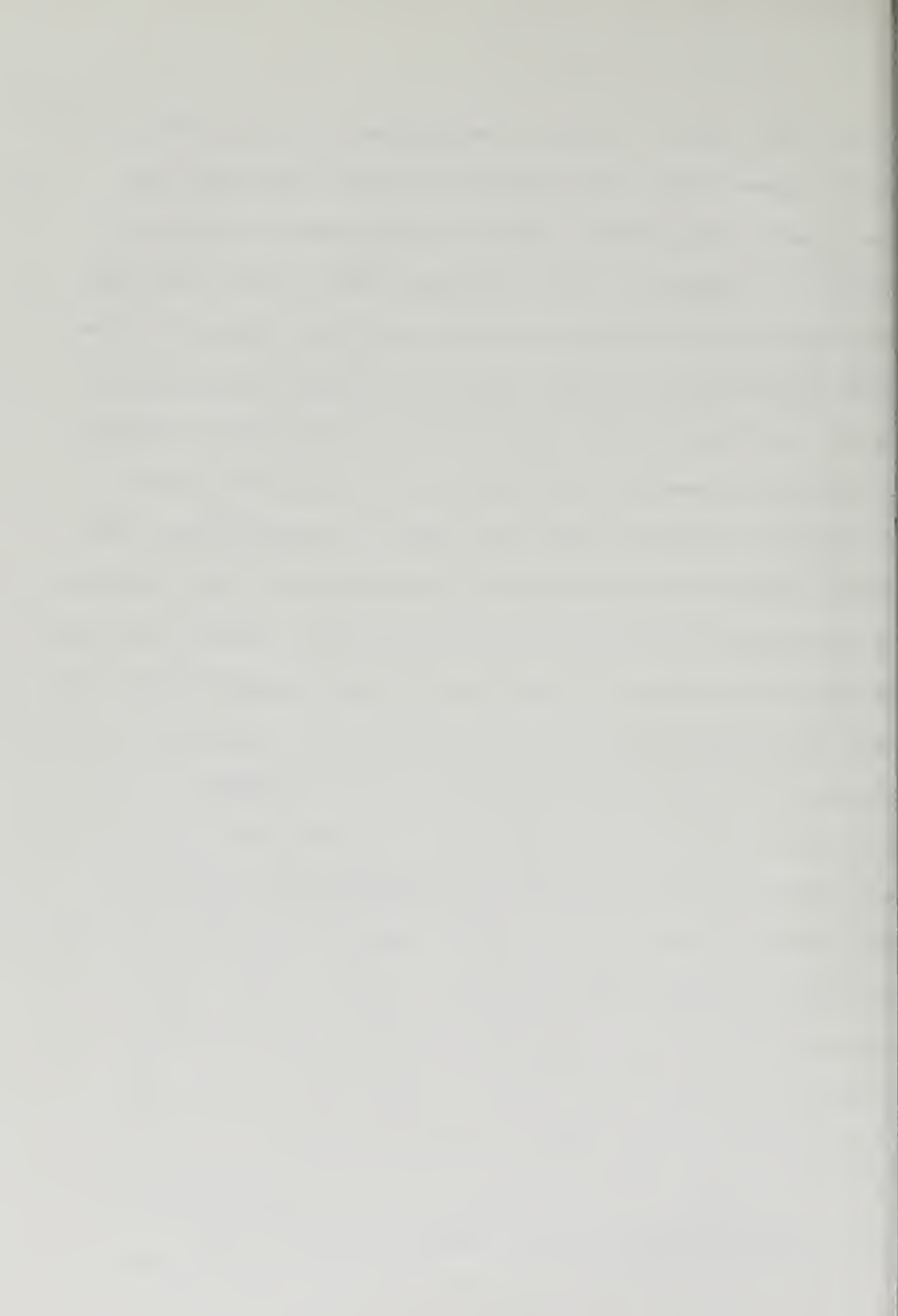
The Dilemma of Centralization

The dilemma for the Coast Guard regarding the Planning, Programming, and Budgeting System is that its very nature propagates centralized management while its real potential as an effective tool of management lies in selective decentralization.



If the Coast Guard, excluding Headquarters, is left with little real program control and authority, it will inevitably lose its incentive to consider and propose alternative courses of action. In addition, there is a danger that, in the long run, complete central program control may feel less pressure to consider alternatives and more pressure to simply get decisions made.¹ In this situation there may be a temptation to neglect a variety of potential choices and, at the same time, be an inclination to underestimate any number of uncertainties. The result could be over-management from Headquarters and a neglect of substitution possibilities and alternative courses of action. The degree of initiative and incentive which centralized management of program budgeting fails to nurture and thus destroys is the system's unrecoverable loss and greatest weakness. It is difficult to believe that programs can be designed to efficiently and effectively allocate resources without enabling those at the district level to have a continuing influence upon the shape and size of the programs which they are to operate. Where is the motivation and incentive for efficient district program management to come from, when the district has operational responsibility without control and flexibility?

¹Werner Z. Hirsch, "Toward Federal Program Budgeting," Public Administration Review, December, 1966, p. 268.

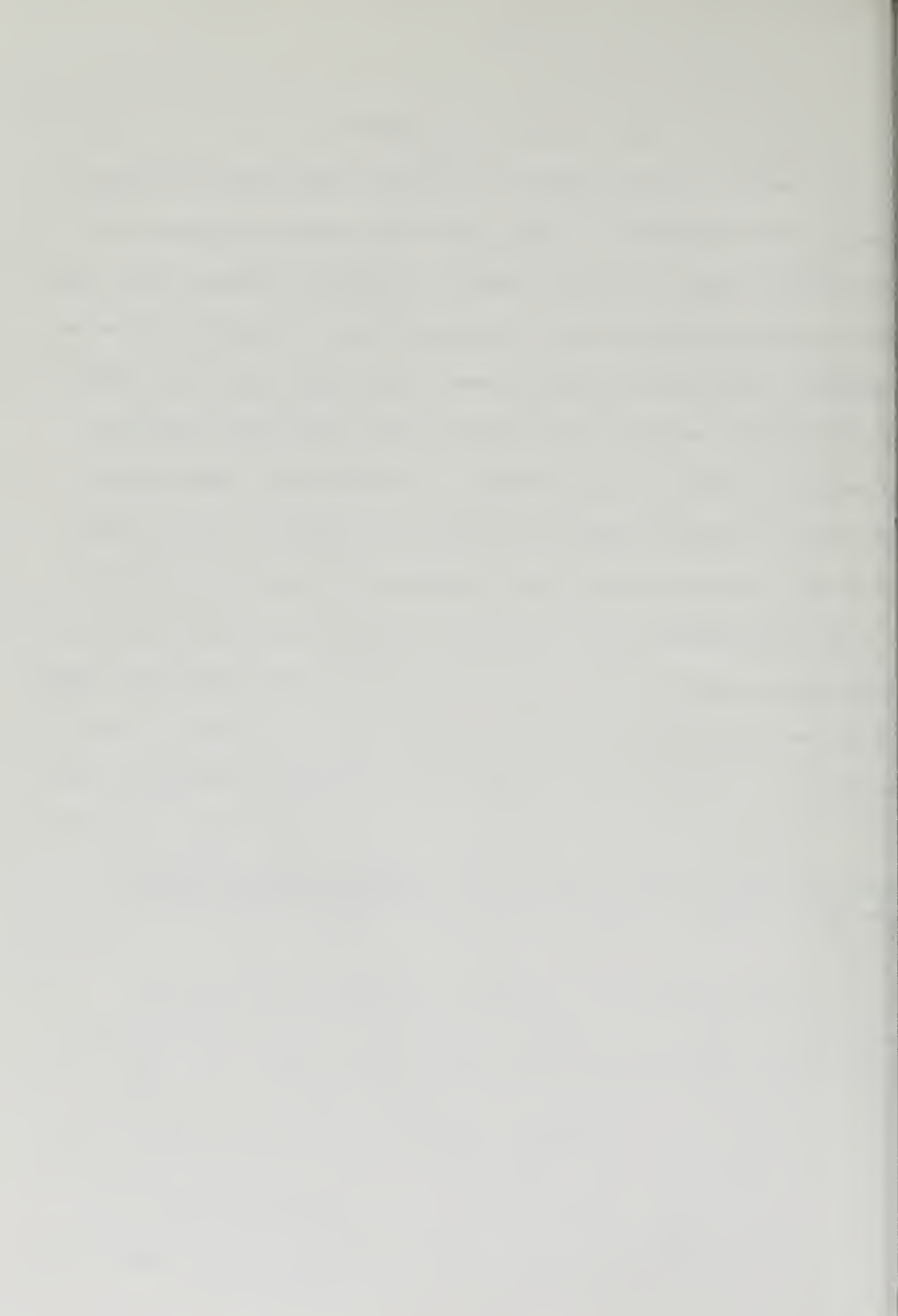


The Motivation Assumption

People are motivated to do those things which they have learned are worthwhile.¹ Here worthwhile means gratifying and satisfying a need. However, what is worthwhile depends upon what the organization has taught to be worthwhile through a system of rewards. The most motivating reward any organization can offer an individual, assuming the physiological and safety needs are already fulfilled, is to satisfy: (1) his social needs, which give him the feeling that he is part of something big and important, (2) his ego needs, which reinforce his self perception as a vital contributor to an important purpose, and (3) his self actualizing needs, which come after all the other needs have been satisfied and give the feeling of great pleasure from the work being done.² Motivation of Coast Guard personnel throughout the

¹James N. Mosel, Professor of Psychology, the George Washington University, Speaking on Organization Motivation, to the Navy Graduate Financial Management Program Class, February 29, 1968.

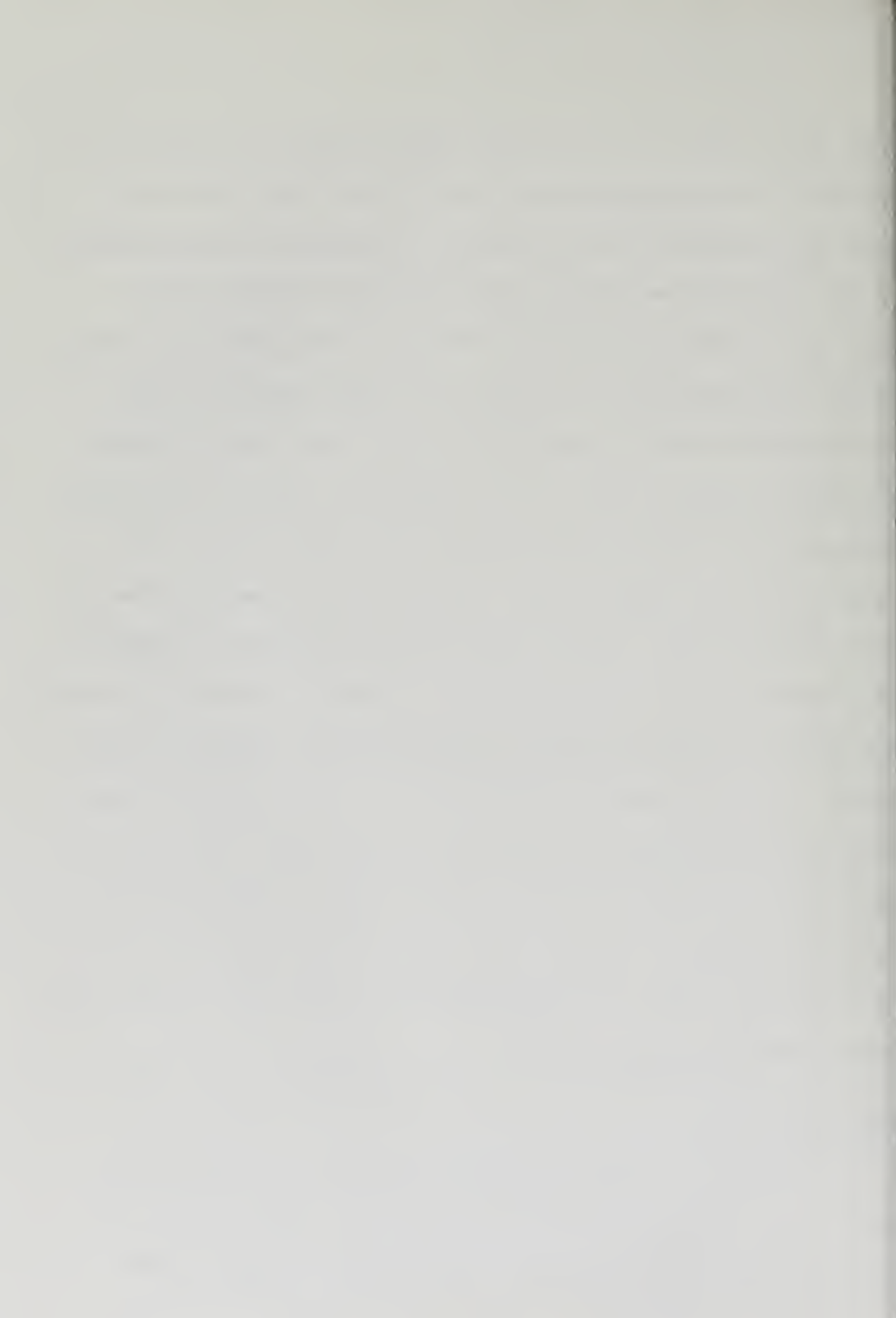
²This concept of a need-hierarchy was developed by Abraham H. Maslow and presented in his book, Motivation and Personality, Harper and Bros., New York, 1954. With the physiological and safety needs considered self-evident, the higher needs may be defined as follows: (1) Social needs are for belonging, for association, for acceptance by other people and for giving and receiving love; (2) Ego needs relate to one's self-esteem--needs for self-confidence, for independence, achievement, competence and for knowledge. This need relates to one's reputation--needs for status, recognition, appreciation for the deserved respect of other people; and (3) Self-actualizing needs are for realizing one's own self potentialities, for continued self-development and for being creative in the broadest sense of that term.



organization can but be increased when the goals and needs of the individual Coast Guardsman and those of the Coast Guard as a whole are served by the same vehicle. Selective decentralization of the Planning, Programming, and Budgeting System is this vehicle; it offers Coast Guard management throughout the organization the opportunity to satisfy the higher needs of Coast Guard personnel and at the same time motivates them to achieve the goals of the service. It is recognized, however, that such commitment and personal involvement would not appeal to all people within an organization. Since selective decentralization would evolve slowly, people would gradually become accustomed to its demands as well as its benefits. Those who could not tolerate the degree of decision-making responsibilities offered by this system would find their place through the positioning of human resources on the basis of ability and knowledge. The effective positioning of personnel may at times require a disregard for seniority, because a selectively decentralized system requires flexibility to permit the most effective placing of all resources, human resources included.

Rewards and Motivation

Formal organization generally places too much emphasis on the materialistic rewards and pays little heed to the motivating rewards just mentioned. Furthermore, it has never



conclusively been proven that bonuses and the so-called incentive plans have ever raised productivity or motivated effective managerial action. The questionable value of bonuses and incentive plans can readily be illustrated by an example of a superior performance award given to three percent of the workers. It is quite conceivable that the other ninety-seven percent of the workers would be alienated since they didn't receive the award; if the winning three percent did not win again the following year, it is reasonable to assume that they, too, would be discontent. This example typifies the materialistic, motivational rewards offered in the Coast Guard today. However, it is this author's theory that effective motivation really lies in participative management through selective decentralization as outlined in this chapter. Here all levels of Coast Guard organization have an opportunity to contribute ideas, to understand all facets of the problems confronting them, to influence planning, and to feel a sense of responsibility for the success of decisions. Though intangible in nature, such motivating forces created when the goals of the individual are identified with those of the organization can reap gratifying rewards for both the individual and the organization.

There was a time when the simple wearing of a military uniform imbued a person with a strong sense of purpose and

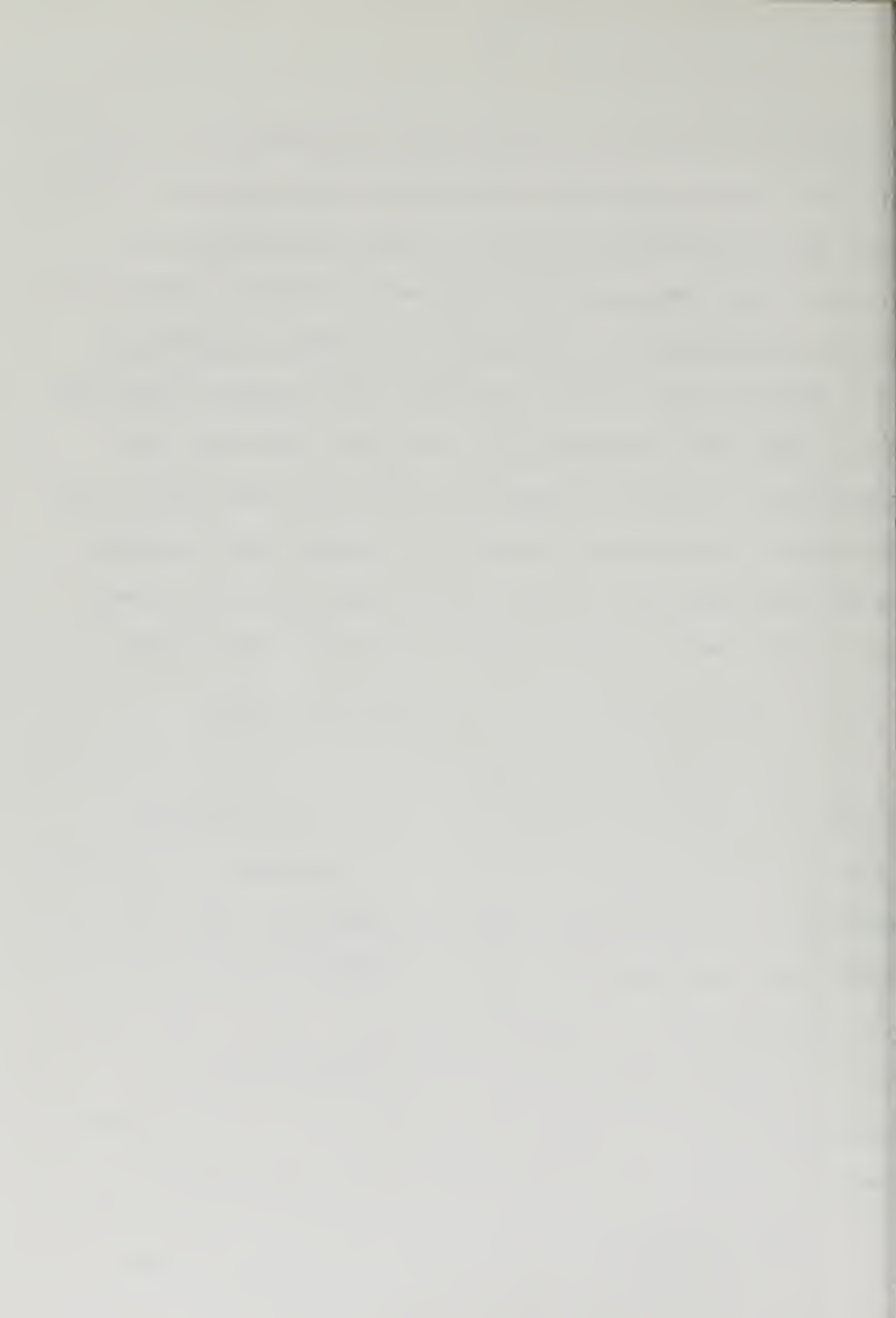


tradition and dedication to the values and objectives of his service. However, in these questioning times, values and objectives of the individual as well as those of the service are becoming vague and unclear for the average person. A selectively decentralized Planning, Programming, and Budgeting System can give direction for creative management and provide an idealistic goal. Using this management tool, the Coast Guard has the opportunity to instill a sense of purpose and dedication in its personnel; it can bring to each Coast Guardsman clear and meaningful objectives and, in doing so, motivate each man to seek out his own rewards through program achievement and success.

The Prospect of Selective Decentralization

The longer program budgeting evolves without a determined effort to selectively decentralize, the more entrenched and centralized this system will become. To illustrate the potential contributions of selective decentralization for a more effective Coast Guard management, the role of program budgeting with selective decentralization will be analyzed as a tool of Management. This analysis will follow the outline of The Process of Management¹ and will indicate the broad areas in which changes need to be made for the Coast Guard to gain more effective

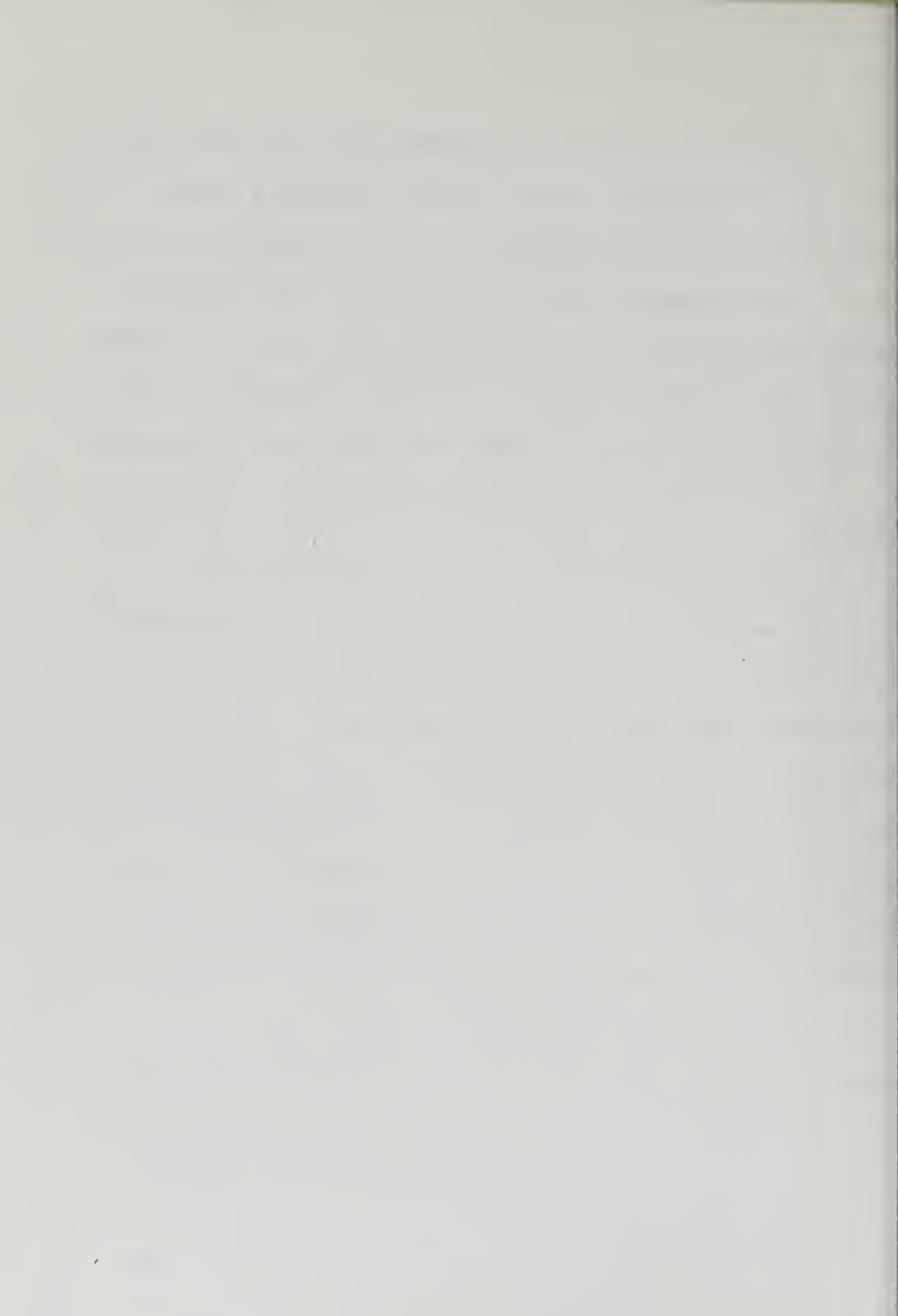
¹Newman and Summer, loc. cit.



resource management through an expanded use of program budgeting. It is not the intention of this study to provide a listing of the specific areas and the necessary steps for selective decentralization. The recommendations of this paper in the concluding chapter outline areas for further study. As a result of these studies, the necessary steps to selectively decentralize and the most desirable degree of decentralization can be determined.

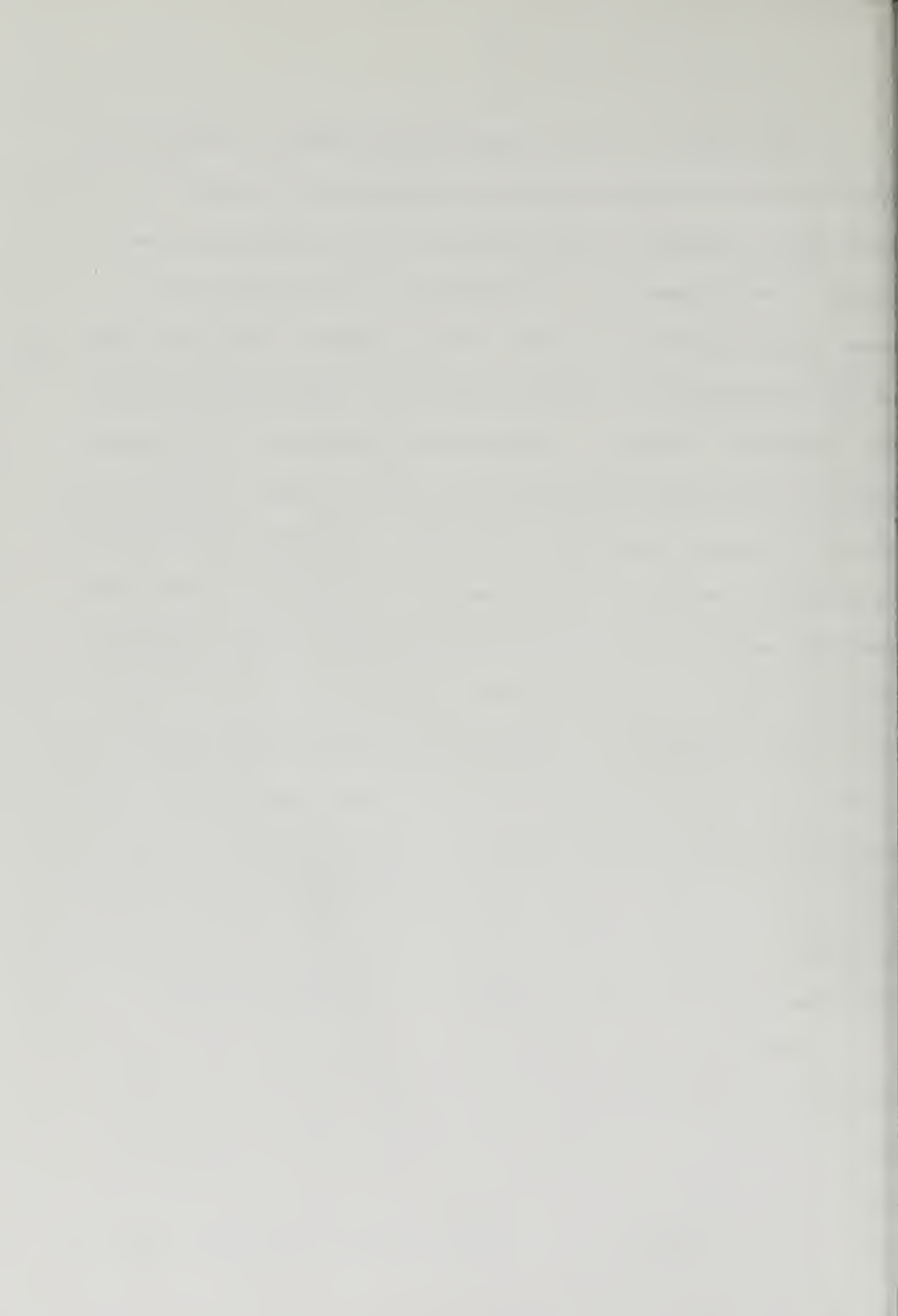
Planning

Within the framework of the present organization structure as described in Chapter III, the District Commander and his staff are tightly restricted by the basic principles of organization and their structural requirements. The District Commander is responsible for the administration and direction of the district units and for the allocation of his resources on an operational basis, as was indicated in Chapter V. The absence of program management on the district level and its implications have been cited repeatedly throughout this paper. All of these facts point to the greatest weakness in the present method of implementing the Planning, Programming, and Budgeting System in the Coast Guard and stress the need for a selective decentralization of the system, if its real potential as an effective management tool is ever to be realized.



The need to use the discriminating term of selective decentralization becomes important in planning because it is obvious that complete decentralization is as undesirable as complete centralization. By selecting the best of both, a great step forward can be made. It is realized that the techniques of information gathering require a centralized ability and capacity. However, a centralized information and analysis system in Coast Guard Headquarters could be highly effective in aiding a District Commander if he were given the flexibility to make program decisions. For example, a central data bank and computer service could not only make a Coast Guard simulation model but also a simulation model for each district to assist the District Commander in reaching program decisions applicable to his district. If the District Commander early in the budget-preparation stage helped prepare the specified program objectives with a given amount of resources, he would then be well equipped to help revise these objectives according to the available resources, once the budget appropriations had been made.

However, district involvement in planning and in the setting of objectives must also be built on a base of intra-district planning and goal setting. The District Commander, his program administrators, and the unit commanding officers as the actual users of the resources should be working together



in this process. This would give all of them the opportunity to understand the programs and objectives for which they would be responsible. As the District Commander and his staff participate in the formulation of program objectives for their district, they develop a vested interest in the program's success; hence, their participation acts as a stimulus for the achievement of a more efficient and effective allocation of resources. This is of particular significance in the Coast Guard with its limited resources and comprehensive multi-mission objectives. In pursuit of idealistic goals, the motivating factor within selective decentralization has the potential of increasing output without requiring any changes in the input of resources, and thus can give the Coast Guard the most for its money.

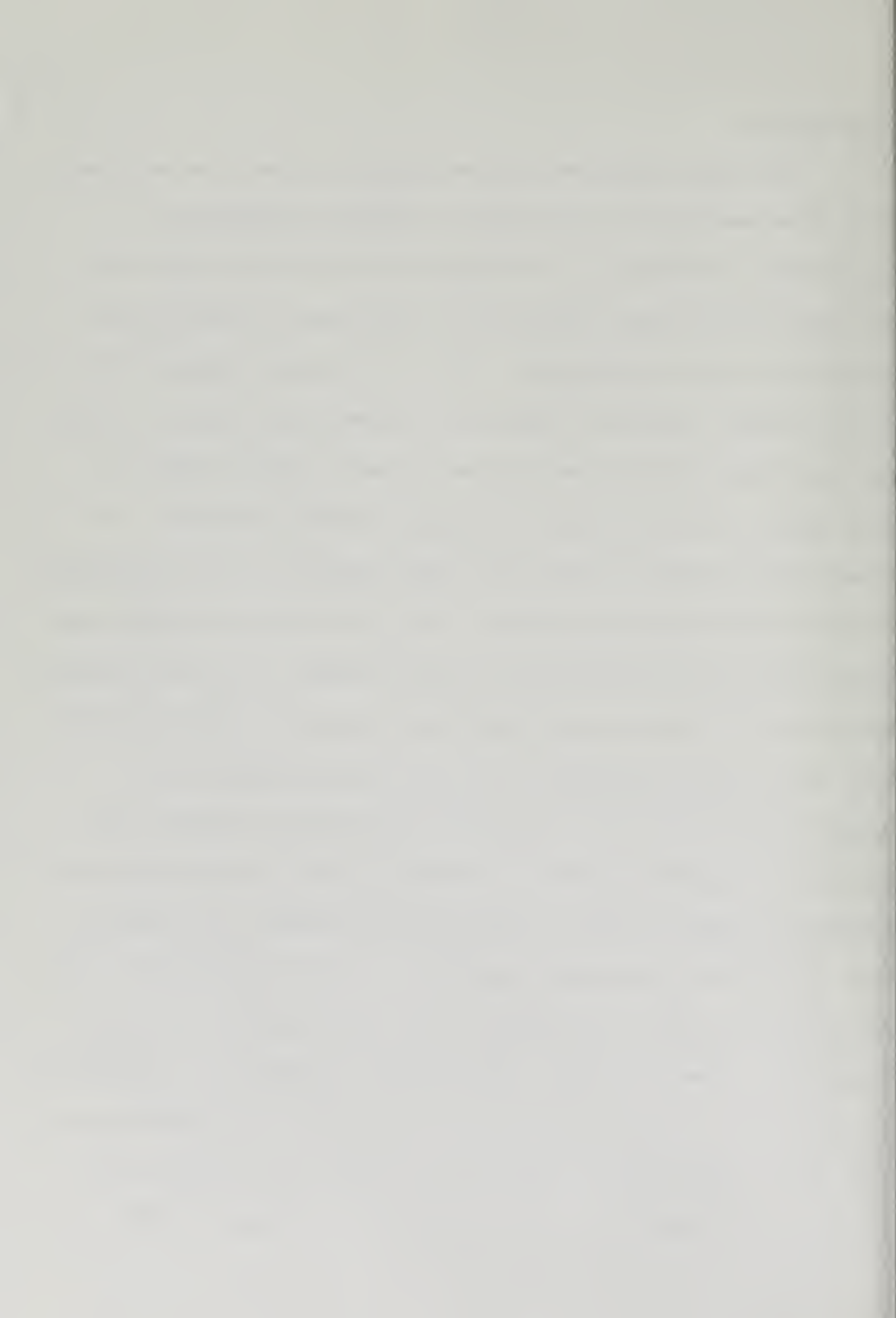
In order to achieve the many benefits of participative program management and the engendered motivational responses and the sense of commitment, the Coast Guard must decentralize the planning function and give the District Commanders more flexibility and discretion in their district's program planning and management. It is clear that complete decentralization of planning authority is neither necessary or desirable; but, it is equally clear that a selectively decentralized Planning, Programming, and Budgeting System can be an extremely valuable tool of Coast Guard management.



Organization

For more effective program administration, the existence of program management must begin to spread throughout the organization structure. The functional organization that now dominates Coast Guard organization charts must be modified to accomodate program management. This is essential because it is the formal functional organization that prescribes the duties and specifies the relationships which have a great impact on determining the motivational responses of the personnel. An organization based on functional administration is the antithesis of effective program management. Thus, an organization designed to be the source of effective program information, which provides the basis for sound program decisions and program administration, must have program management decentralized throughout the organization structure. The organization should reflect the balance and emphasis given to programs so that its personnel are constantly aware of their objectives and purpose. An organization with program management positions in both Headquarters and the district offices facilitates clear and effective program management, communications, and resource allocation. In addition, it provides an orderly approach to field unit and program control, and enables personnel at every level to have the satisfaction of seeing how they fit in and contribute to program success.

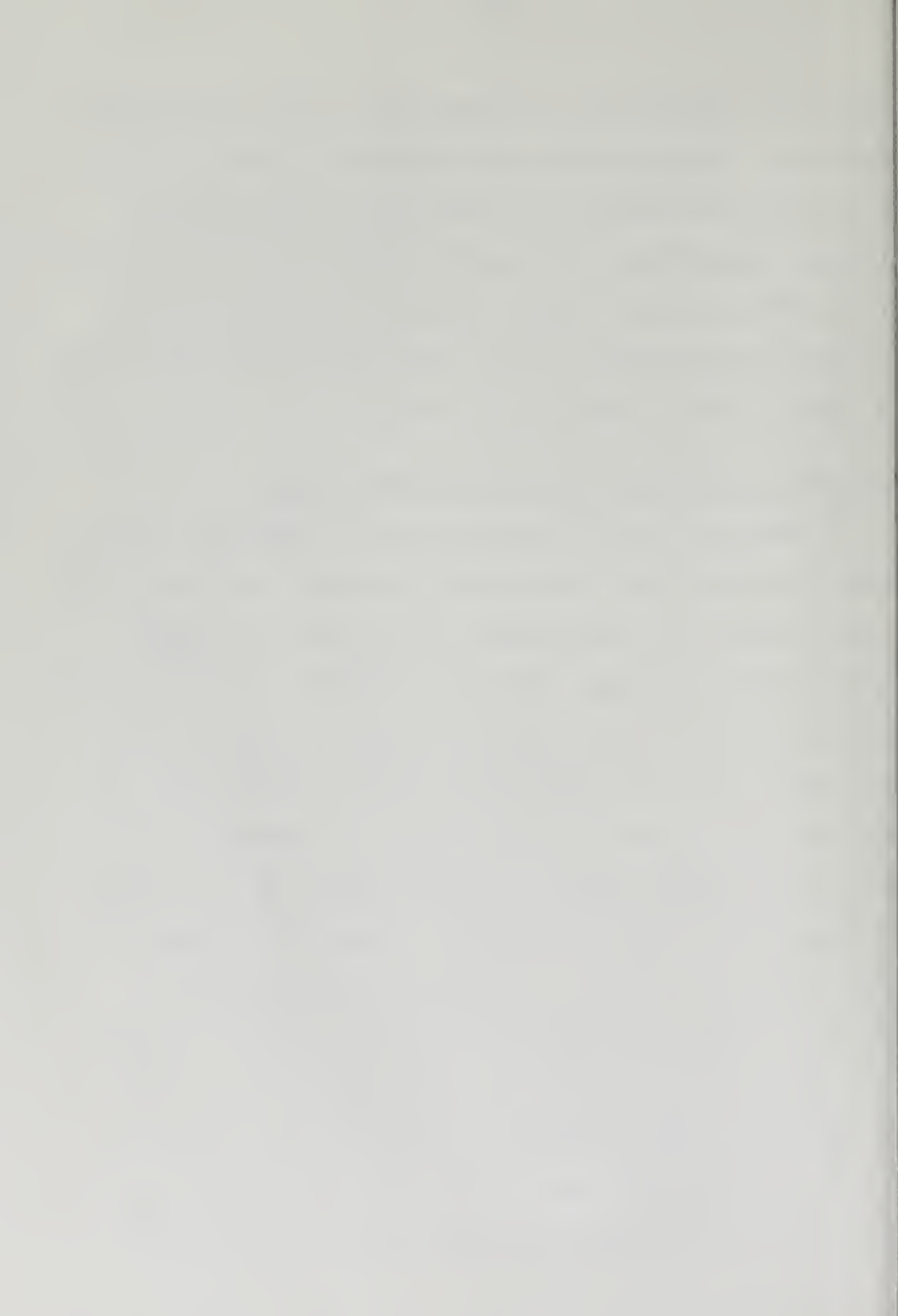
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Through the implementation of selectively decentralized program management, the Coast Guard's accomplishment can be two fold. It will reap the benefits of a more effective and efficient Planning, Programming, and Budgeting System and at the same time it can offer personnel rewards based upon the nature of the work and the satisfaction derived when people help fulfill their own needs as well as those of the service.

Measurement and Control in Program Administration

When the District Commander and his staff have participated in setting their own objectives and are thus committed to program success, the measurement and exercising of program control will be welcomed. With the information for measurement readily available and the ability to exercise program control, the district staff can continuously evaluate the programs and will be highly motivated to make changes and improvements as soon as they become apparent. Program control would no longer be imposed by outsiders on those who operate the programs but would become an instrument to be used by the operators for improving program performance and progress. This is the kind of environment which gives birth to the motivation and incentive to find better ways and methods of doing things; it stimulates the intense desire for efficient and effective resource allocation. All of this depends upon the degree of decentralized

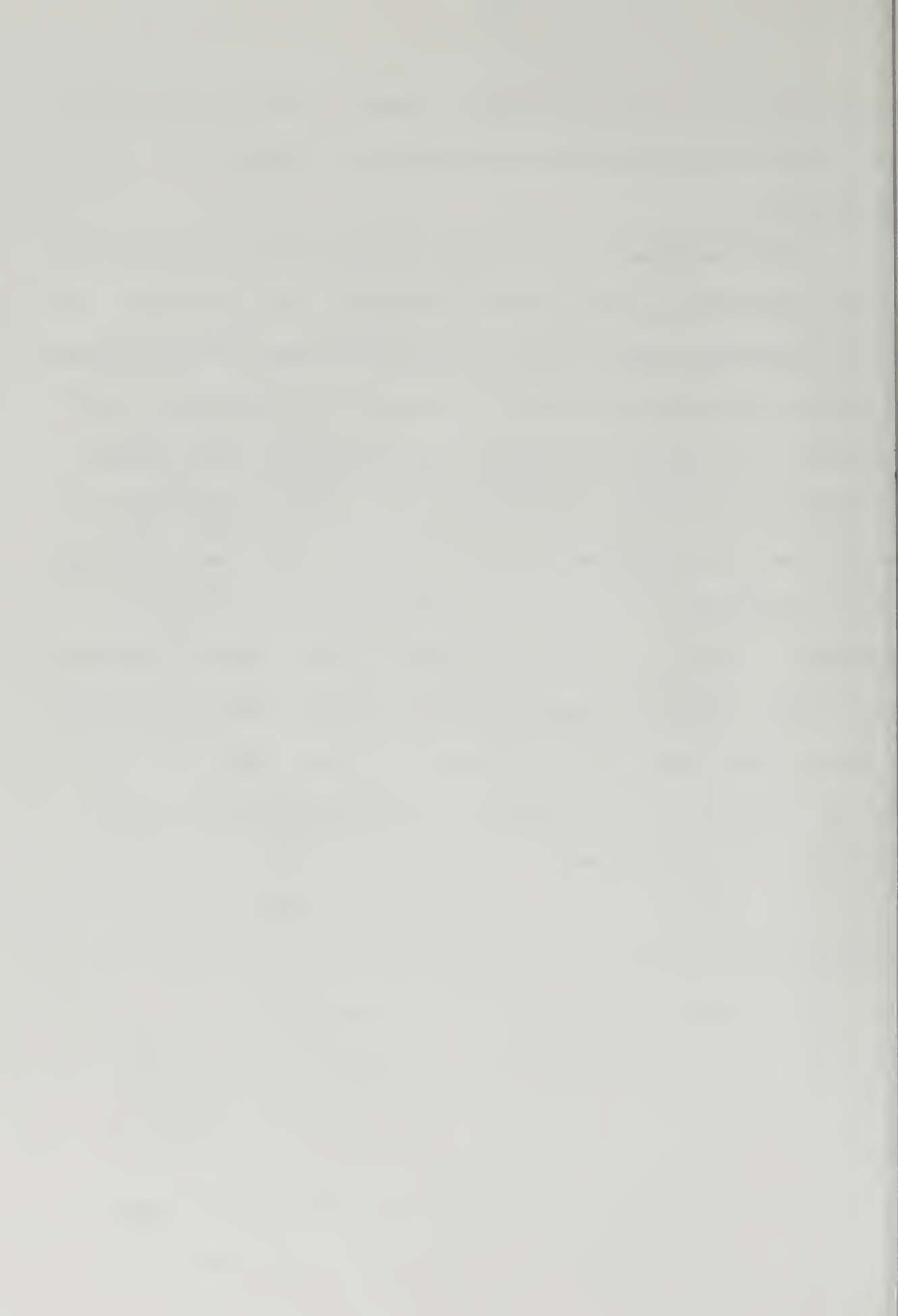


flexibility at the district level and would be impossible if the real decision-making control gravitates to or remains in Headquarters.

With resources always scarce, flexibility will permit increased efficiency in one program to benefit other programs. The District Commander must be able to move resources from one program to another when the measurements indicate it is necessary. Such economical and efficient practices are impossible today because the District Commander is not empowered to control programs; his control now is purely operational in nature. The flexibility and control available to the District Commander would have to be broadened in order to allow his actions to have maximum effectiveness. Here, too, it is apparent that selective decentralization of control and authority is necessary to fulfill the real potential of the Planning, Programming, and Budgeting System as an effective tool of management.

Given the flexibility, good measuring devices, and program performance responsibility, the District Commander may positively influence the levels of performance within his own district. Selectively decentralized program management can provide a teamwork environment for overall program success. This can be achieved when the following factors are present:

- (1) systematic attention, (2) getting the facts before everyone concerned, (3) a high degree of self-control, (4) opportunity



for constructive corrective action, and (5) control based on cooperation rather than pressure.¹ By providing this teamwork environment, a selectively decentralized Planning, Programming, and Budgeting System would be showing its real potential as an effective tool of management.

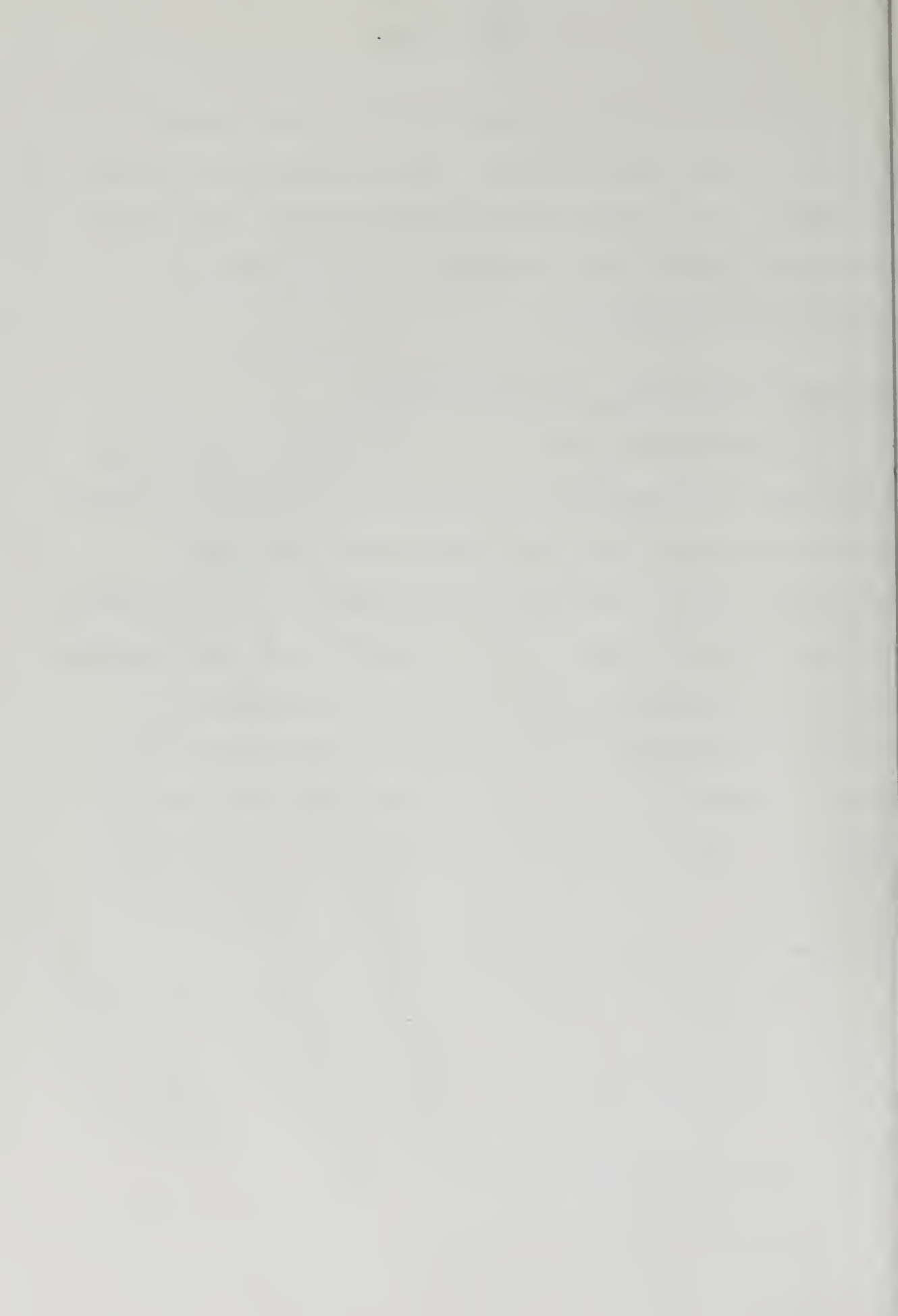
Leadership and Its Role in Program Success

A Coast Guard officer leads by personally and actively working with his subordinates in order to (1) guide and motivate their behavior to fit the plans and jobs that have been established, and (2) understand the feelings of his subordinates and the problems they face as they translate plans into completed action.² On the basis of this, the value and potential of selective decentralized program management become even more apparent. By using the meaningful program objectives and the flexibility of his control as a management tool, the District Commander has a vehicle with which he can motivate his management team of staff and unit-commanding officers.

When the District Commander is judged by the Commandant, not on individual program success but on overall program success, he will be motivated and thus able to motivate his subordinates

¹Newman and Summer, op. cit., p. 617.

²Ibid., p. 477.



to think in terms of overall district program success. He could use staff meetings and conferences with unit commanding officers to review district program progress in concrete and meaningful terms and encourage and stimulate increased effectiveness and efficiency through creative management. Creative management actively encourages the expression of ideas even when they may vary with past practices and tradition. Involvement in creative management further reinforces the teamwork environment mentioned earlier and encourages mental stimulation as it generates new and better ideas.

Under the influence of a selectively decentralized Planning, Programming, and Budgeting System and creative management, individual leadership potentialities can be utilized to the greatest possible degree. The Coast Guard as well as the individual benefits when leadership qualities are stimulated. A selectively decentralized system not only encourages individual leadership growth but stimulates a wide spread growth of leadership throughout every level of the Coast Guard organization.

What Is the Potential of the Planning, Programming,
And Budget System as a Tool of Coast Guard Management?

It has been shown how the Planning, Programming, and Budgeting System has become an effective tool of top management in the Coast Guard. In the years to come, it will continue to



serve Coast Guard management as an effective tool but it will also strengthen centralized top management control of the Service.

The Planning, Programming, and Budgeting System does, however, offer far greater rewards to the service when used as a tool of a selectively decentralized management. This is the system which permits the District Commander and his staff to participate in setting District objectives and ultimate program levels. This is the system which affords district flexibility in the allocation and utilization of scarce resources for program success. Most importantly of all, this is the system which acts as a vehicle for instilling within the individual the incentive to think creatively and for motivating him to be an efficient and effective member of a Coast Guard team.

This system with its selectively decentralized control and flexibility encourages individual as well as service growth. It places the control where it can affect performance and progress--at the scene of the action. It stimulates vigorous and purposeful leadership which develops ideas and people--future leaders, thinkers, and planners which a growing and dynamic Coast Guard will always demand.



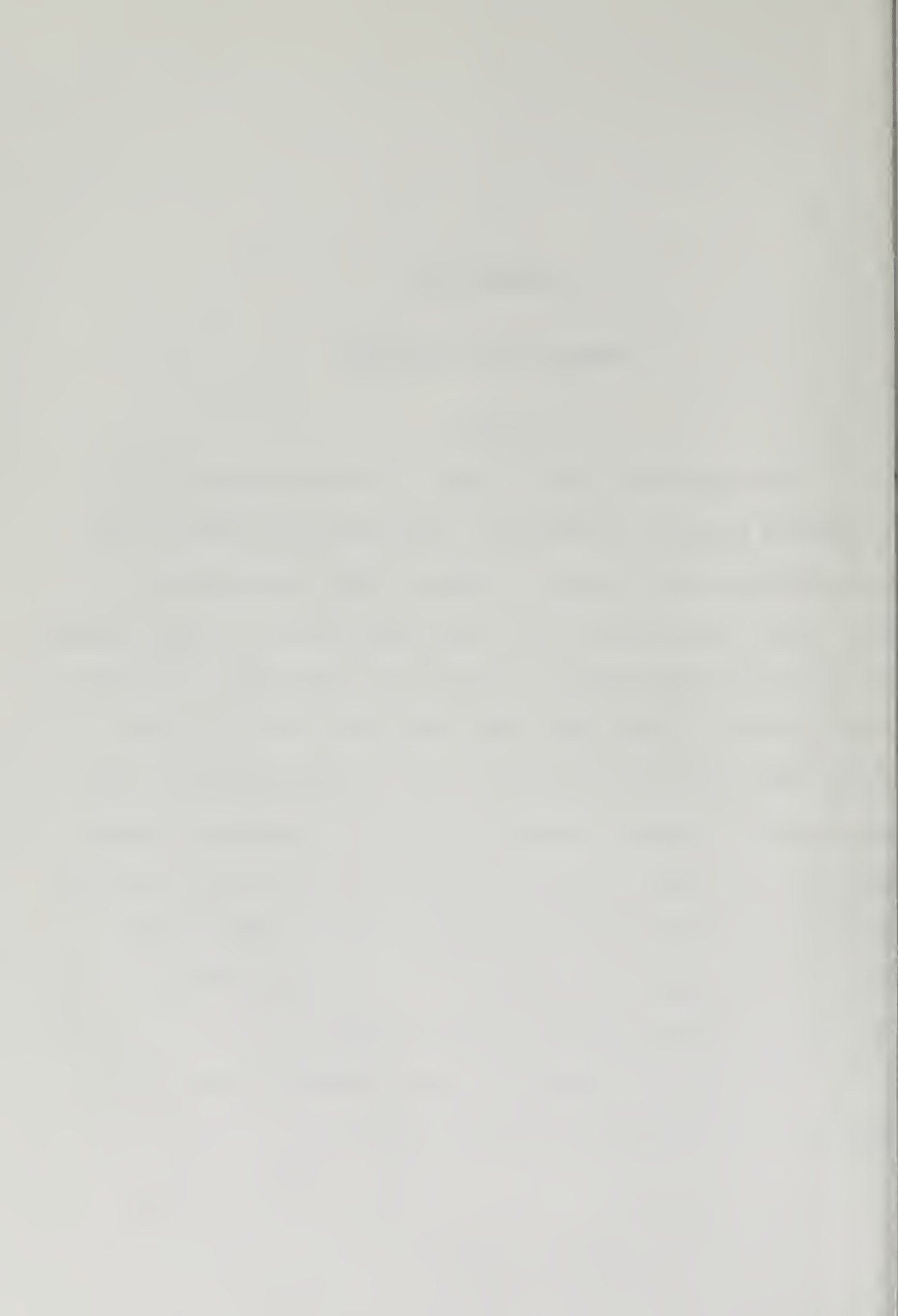
CHAPTER VIII

SUMMARY AND CONCLUSION

Summary

This paper has been a study of the development of an integrated Planning, Programming, and Budgeting System in the United States Coast Guard. In order to give perspective to this study, the history of the Coast Guard since 1970 was traced and the formal organization structure was explained. From the point of view of this paper, two significant facts emerged: first, the history of the Coast Guard is characterized by the repetition of cyclical upheavals and by the piecemeal development of Coast Guard responsibilities, authorities, and policies; and second, program management has not had an impact on the formal organization structure of the Coast Guard outside of the Chief of Staff's Office in Headquarters.

This paper was based on three subsidiary questions; a summary of the findings for each will follow.

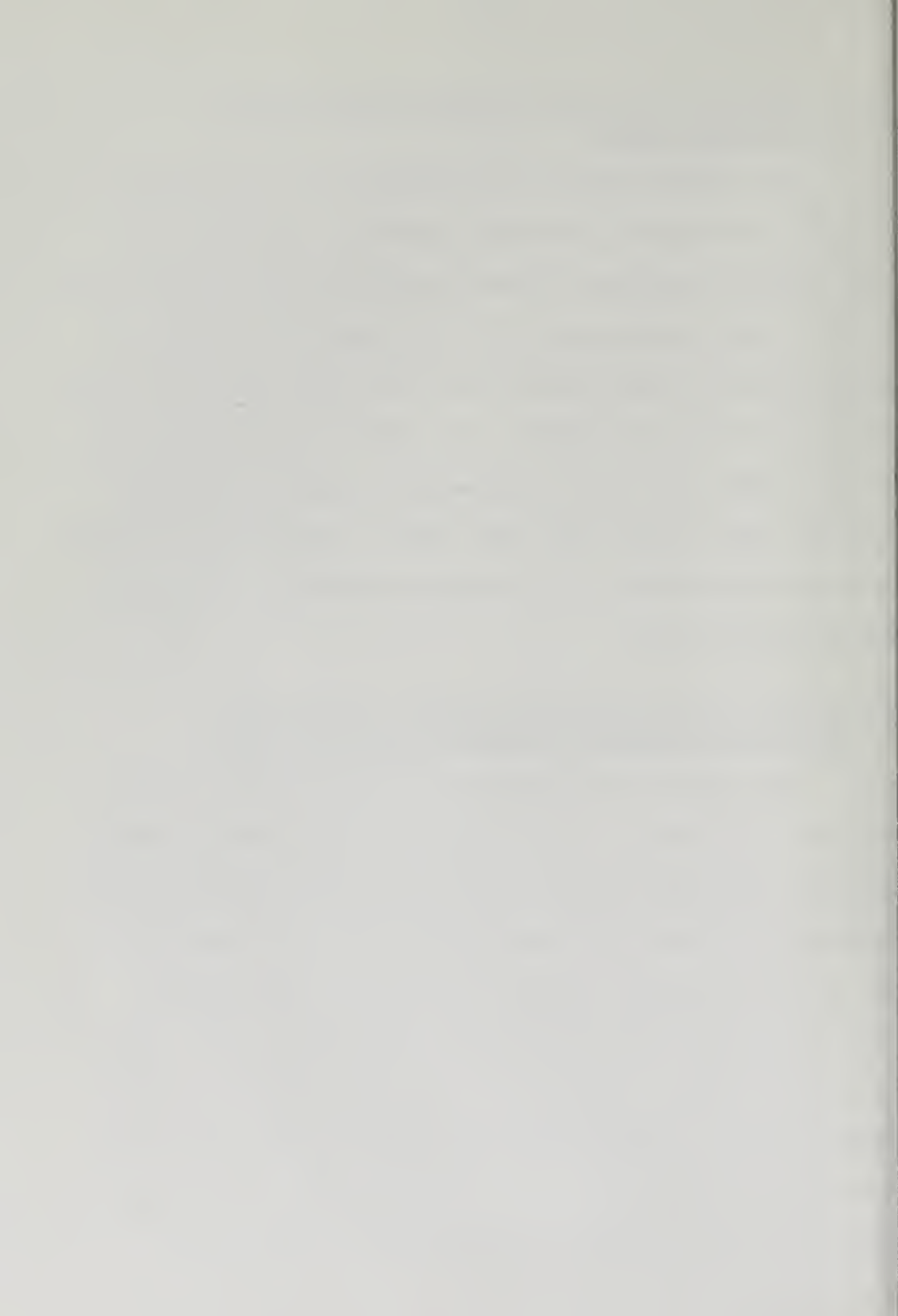


How And Why Did A Long-Range Planning System Develop In The Coast Guard?

The initial effort in the development of long-range planning was actually a financial necessity forced upon the Coast Guard by Congress's refusal to make further appropriations in 1957. The importance and value of long-range planning was recognized by the Coast Guard after the success of its Aviation, Vessels, and Shore Unit Plans. As a result of the Roles and Missions Study, the Coast Guard became program-oriented and took the first of many steps that led to a sophisticated method of long-range planning: the integrated Planning, Programming, and Budgeting System.

How And Why Did An Integrated Planning, Programming, And Budgeting System Develop In The Coast Guard?

By request of the Secretary of the Treasury in 1963, the Coast Guard began a Pilot Study to Develop Program Budget. When the Pilot Study formulated the method for calculating and distributing direct and indirect program costs, it paved the way for an integrated Planning, Programming, and Budgeting System. Through President Johnson's directive in 1964, the Coast Guard became committed to a prescribed timetable and budget format for implementing this system. The Fiscal Year 1968 Budget was the first to be in program form. More refinements in the Coast Guard's implementation of integrated



Planning, Programming, and Budgeting System will probably result from the special studies now in progress.

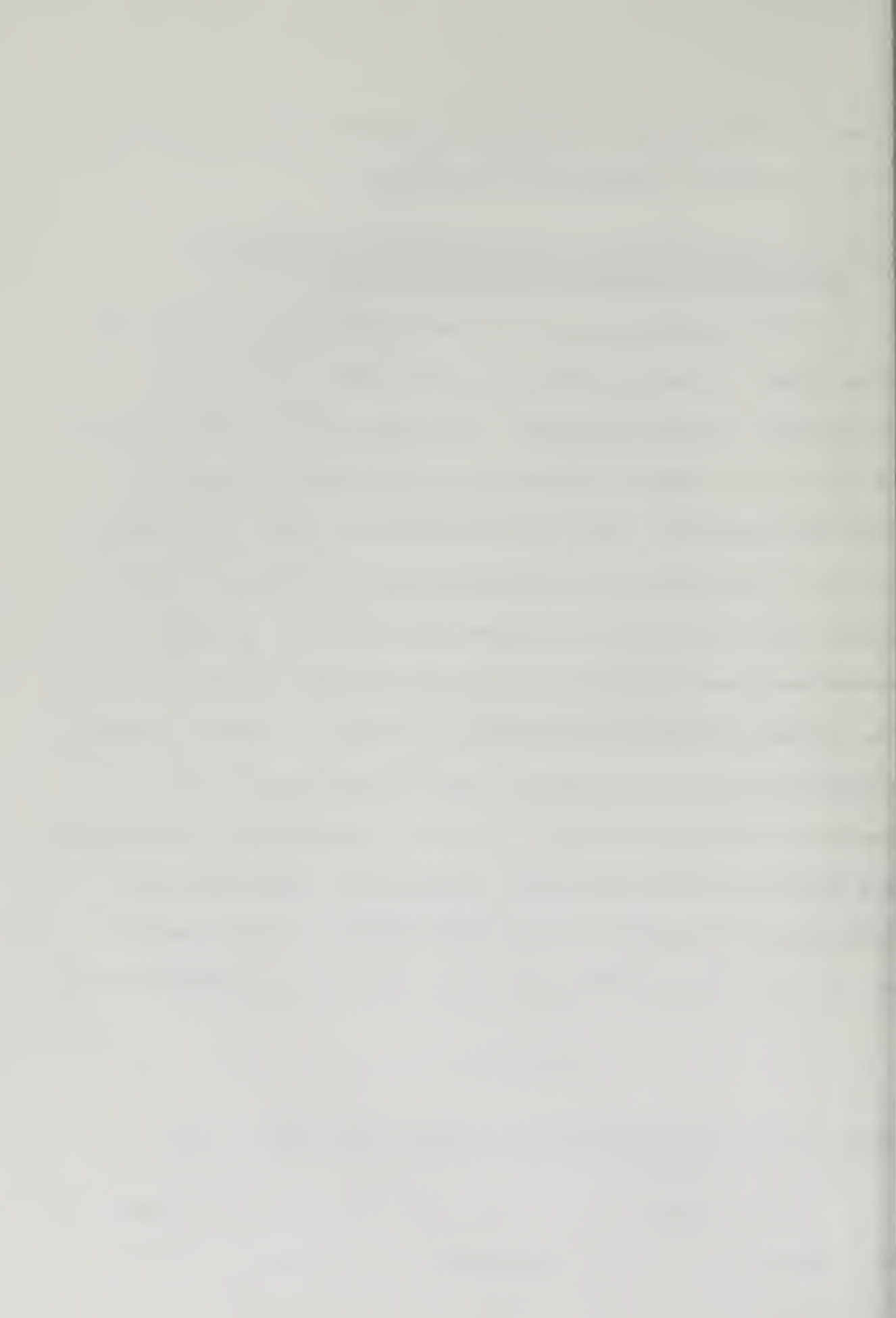
What Has Been The Impact Of The Planning, Programming,
And Budgeting System On The Coast Guard?

This system has put the Coast Guard in a positive position, where it can now act instead of react. It has been responsible for the meaningful definition of Coast Guard program objectives in terms of effective and efficient allocation of limited resources. Coast Guard management, due to the requirements of the system, now measure decisions in terms of long-range costs and carefully weighed alternatives. Analysis techniques have sharpened Coast Guard decision making abilities. The formal organization structure has begun to reflect program management since the January, 1968 reorganization in the Headquarters Chief of Staff's Office. The Planning, Programming, and Budgeting System has had a positive and sophisticating effect on Coast Guard thinking and judgement; it has emerged as an effective tool of Coast Guard management in Headquarters.

Conclusion

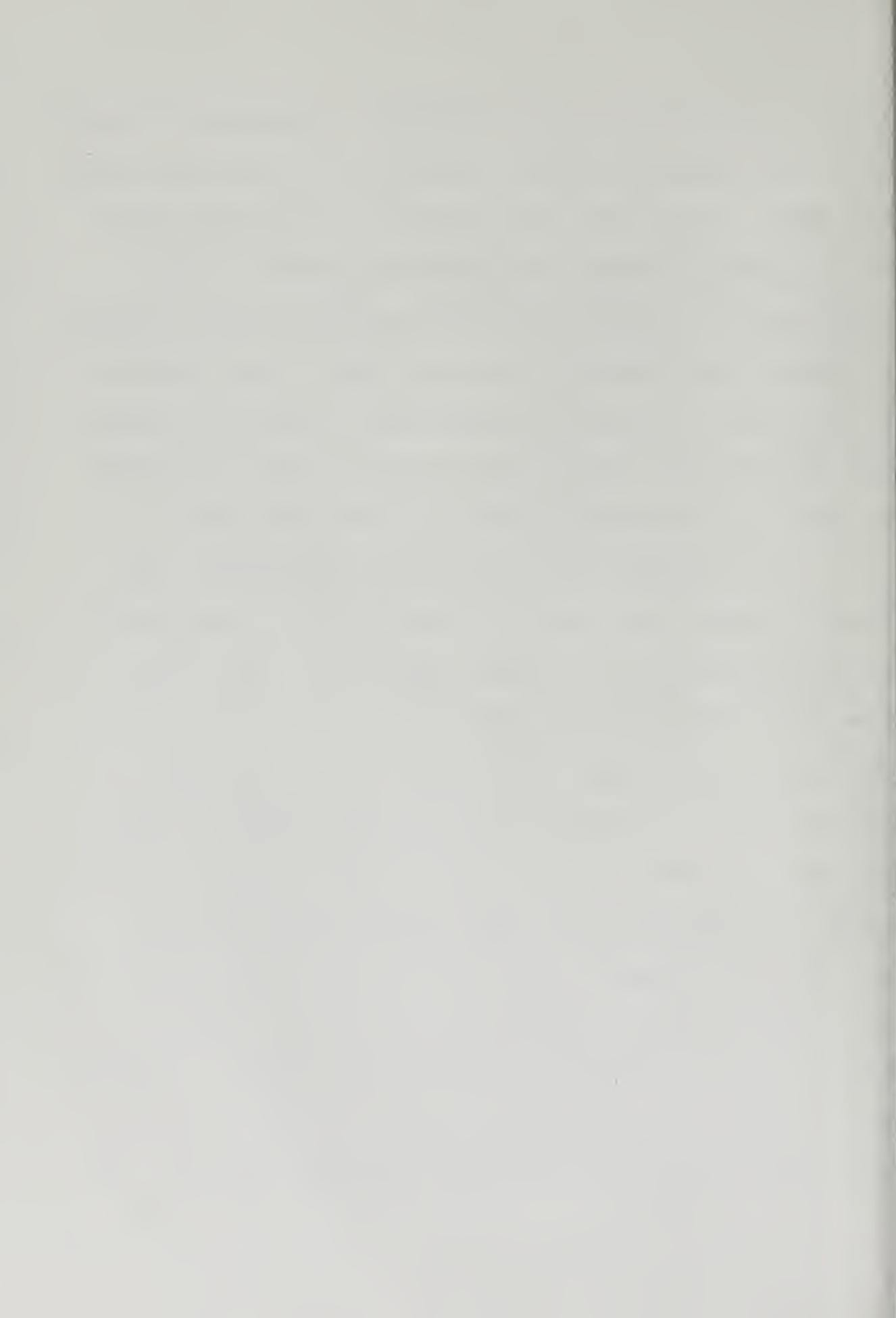
What Is The Potential Of The Planning, Programming, And
Budgeting System As A Tool Of Coast Guard Management?

The research on this paper has consistently pointed to the integrated Planning, Programming, and Budgeting System as



a vehicle for the efficient and effective allocation of limited Coast Guard resources and as a valuable tool of top Coast Guard management. It has been shown, however, that the very nature of this system reinforces centralized management. If the Coast Guard is to realize the real potentiality of the Planning, Programming, and Budgeting System and reap its many benefits, it must begin to selectively decentralize its program management throughout its organization structure, before the forces of centralized management become too firmly entrenched.

On its present road the Planning, Programming, and Budgeting System can provide continued growth and improvement for top management but its great weakness and unrecoverable loss lies in the initiative and incentive which it fails to nurture and thus destroys. Participative program management, possible under a selectively decentralized system, provides the opportunity for the individual to closely identify with the needs and objectives of the Coast Guard, motivates him to perform more efficiently and to welcome measurement and control, and stimulates latent leadership qualities at all levels of organization. A selectively decentralized Planning, Programming, and Budgeting System would strengthen the Coast Guard and its performance ability and is the kind of dynamic management tool

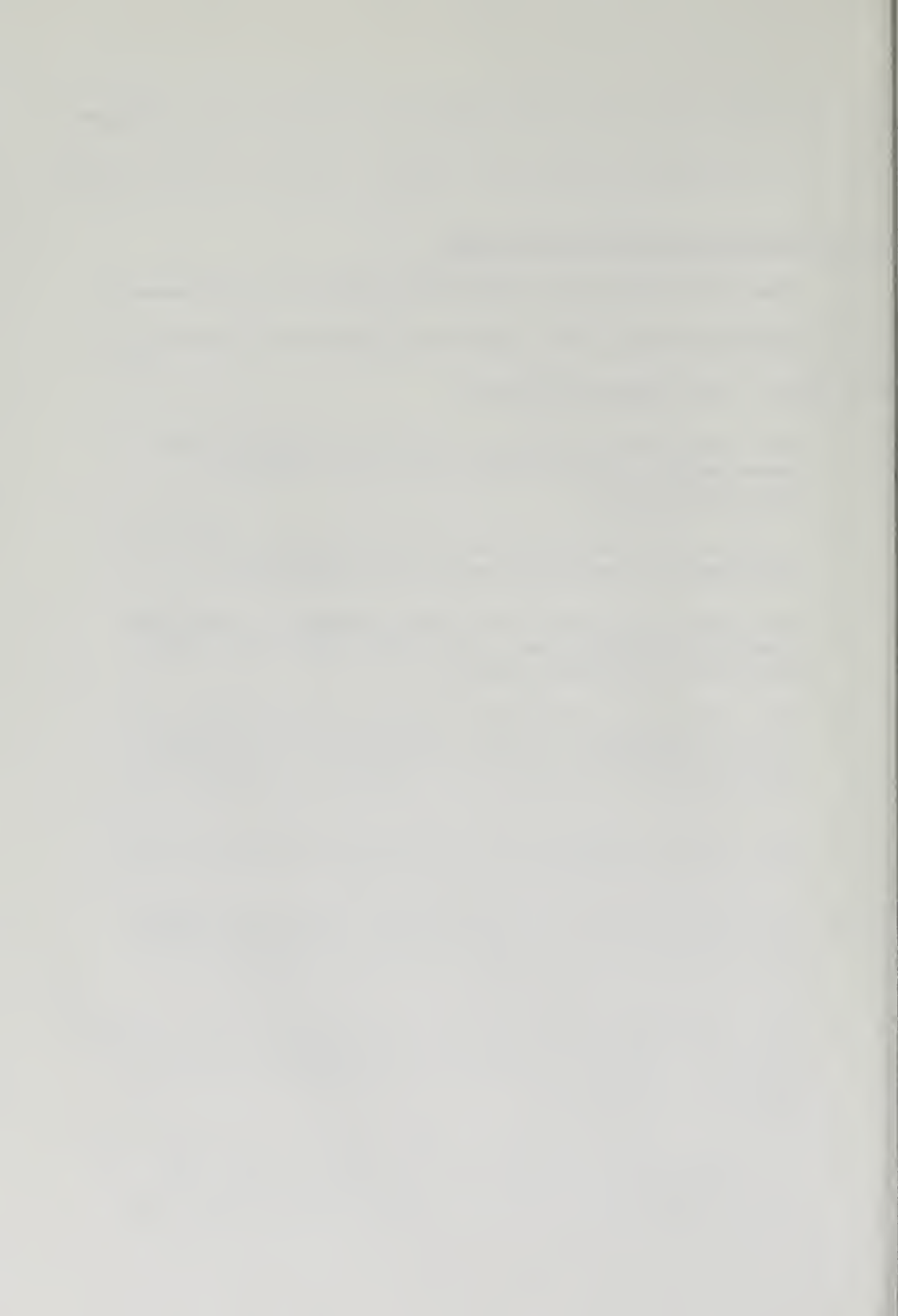


that can most efficiently and effectively allocate the limited resources available and meet the vigorous demands of the future.

Recommended Areas For Further Study

The following areas for further study are recommended for the implementing of a selectively decentralized Planning, Programming, and Budgeting System:

1. The organization structure and the modifications necessary to effectively implement selective decentralization.
2. A system of quantitative and qualitative definitions applicable to program levels and objectives.
3. The need for controls and measurements so that the District Commander may gauge the effect of various actions on program outputs.
4. The potential of flexible resource allocation which places personnel in jobs according to ability and qualifications and may thus require a disregard for seniority.
5. The need for district flexibility in allocating and reallocating resources to programs.
6. An effective, but not burdensome, reporting system through which every organizational level may monitor the program progress of subordinate levels.
7. The development of a simulation model for each district, and an integrated management information and analysis system to assist the District Commander in making program decisions.
8. A review of the internal orders, rules, and regulations at every organizational level to insure that the restrictions they demand are necessary and are not unwarranted devices which create inflexibility.



As a result of these studies, the Planning, Programming, and Budgeting System may be designed as a tool of management with unlimited potential. Here, the System, acting as a vehicle for selectively decentralized management, places the decision-making capability in the hands of those who are using the resources and affords the motivation to bring about maximum program success through the efficient allocation of scarce resources.



APPENDIX I

PROGRAM STRUCTURE

Planning-Programming-Budgeting System

ASSISTANCE TO MARITIME COMMERCE

SEARCH AND RESCUE

- Long Range Assistance
- Medium Range Assistance
- Coastal and Harbor Assistance

AIDS TO NAVIGATION

- Aids to Long Range Navigation
- Aids to Short Range Navigation

MERCHANT MARINE SAFETY

- Merchant Vessel Inspection
- Merchant Vessel Technical Services
- Merchant Vessel Personnel Processing

MARINE LAW ENFORCEMENT

- Port Safety
- Offshore Enforcement
- Boating Safety

OCEANOGRAPHY, METEOROLOGY, AND POLAR OPERATIONS

- Ocean Station Services
- Oceanographic Surveys
- Polar Operations

GENERAL SUPPORT

- General Command and Control
- Personnel Support
- Engineering Support
- Fiscal and Supply Support
- Retired Pay

ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS



APPENDIX II

COMPREHENSIVE PPBS REQUIREMENTS

I. AREAS OF IMMEDIATE EMPHASIS

- (1) Analysis of alternative resources and policies for aircraft. Analysis of the interface between FAA and Coast Guard air operations.
- (2) Analysis of alternative resources and policies for domestic icebreaking.
- (3) Development of National Navigation Plan.
- (4) Analysis of Recreational Boating Safety.
- (5) Analysis of alternative resources and policies for underwater SAR.
- (6) Position papers on Revision of National SAR Plan (definitive study/studies).
- (7) Development (with Interior) of Oil Pollution Program.
- (8) Analysis of current and future requirements for polar icebreakers.
- (9) Analysis of OS program in preparation for NAOS Conference.
- (10) Analysis of Submersible Regulation program.

II. OTHER STUDY AREAS

- (1) Analysis of Coast Guard and private aids to navigation systems and policies.
- (2) Analysis of offshore enforcement program.



- (3) Analysis of Port Safety (including Port Security) program.
- (4) Analysis of Continental Shelf Safety Program.
- (5) Feasibility of National Data Buoy System (including analysis of Coast Guard role in eventual program).
- (6) Analysis of Merchant Vessel Inspection System.
- (7) Analysis of Merchant Marine Personnel Program.
- (8) Analysis of MMT posture for surface vessels.
- (9) Completion of analysis of requirements for Reserve Training.
- (10) Position paper on Coast Guard capabilities for Contingency Operations.
- (11) Completion of analysis of supply and inventory policies.
- (12) Analysis of maintenance and replacement policies for aircraft, vessels, shore units and small boats (including requirements for Coast Guard bases, depots, and yard).
- (13) Analysis of alternative housing policies.
- (14) Analysis of officer needs and training requirements (including rotation policies).
- (15) Analysis of enlisted needs and training requirements.
- (16) Analysis of civilian personnel policies and management.
- (17) Organizational study of headquarters, district/area offices, and selected field units (probably subsequent to realignment of DOT programs and Coast Guard program elements).¹

¹U. S. Coast Guard Commandant Memorandum to Chiefs, Offices and Divisions, Temporary Details for Staff Studies, August 7, 1967, pp. 4-5.



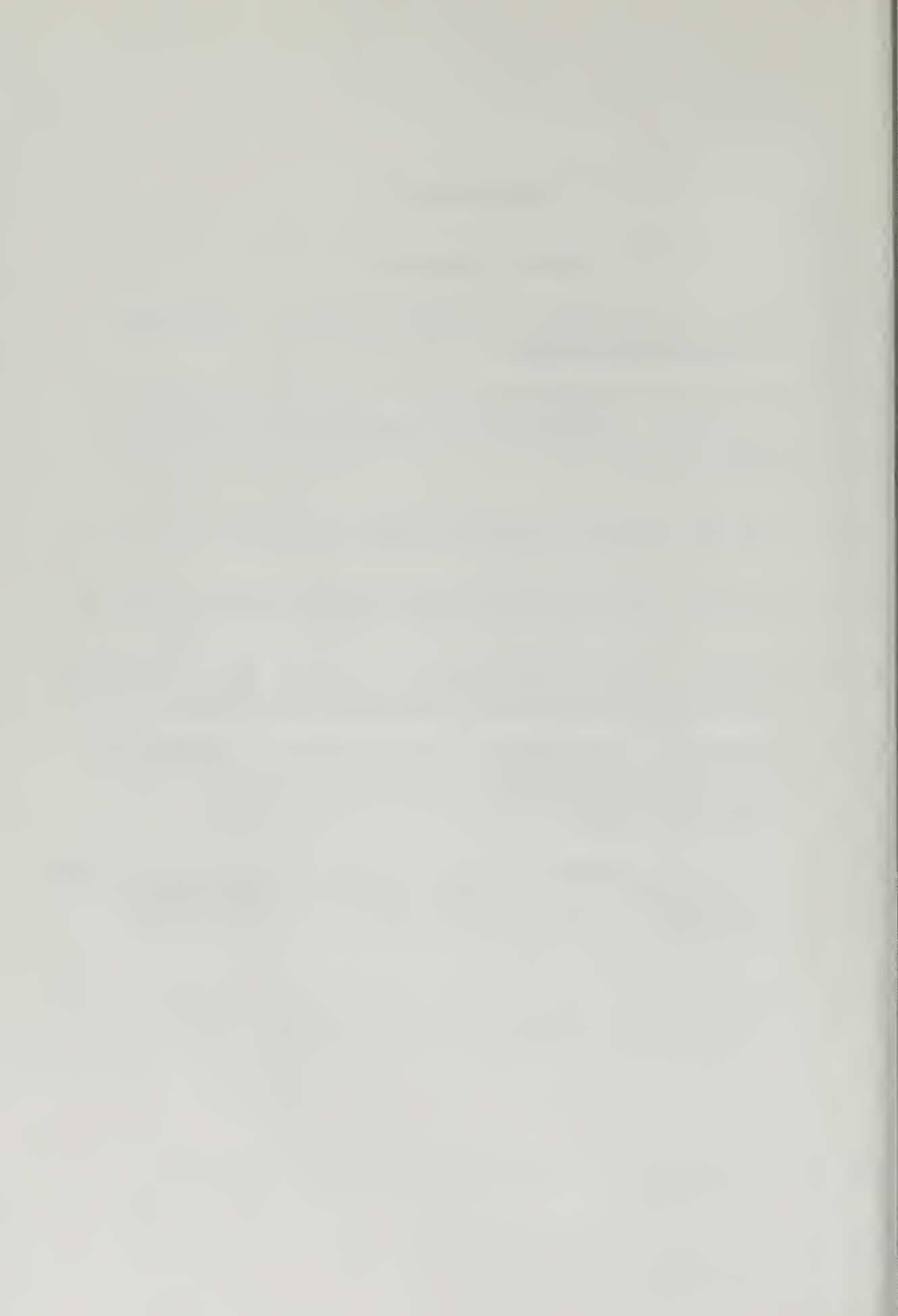
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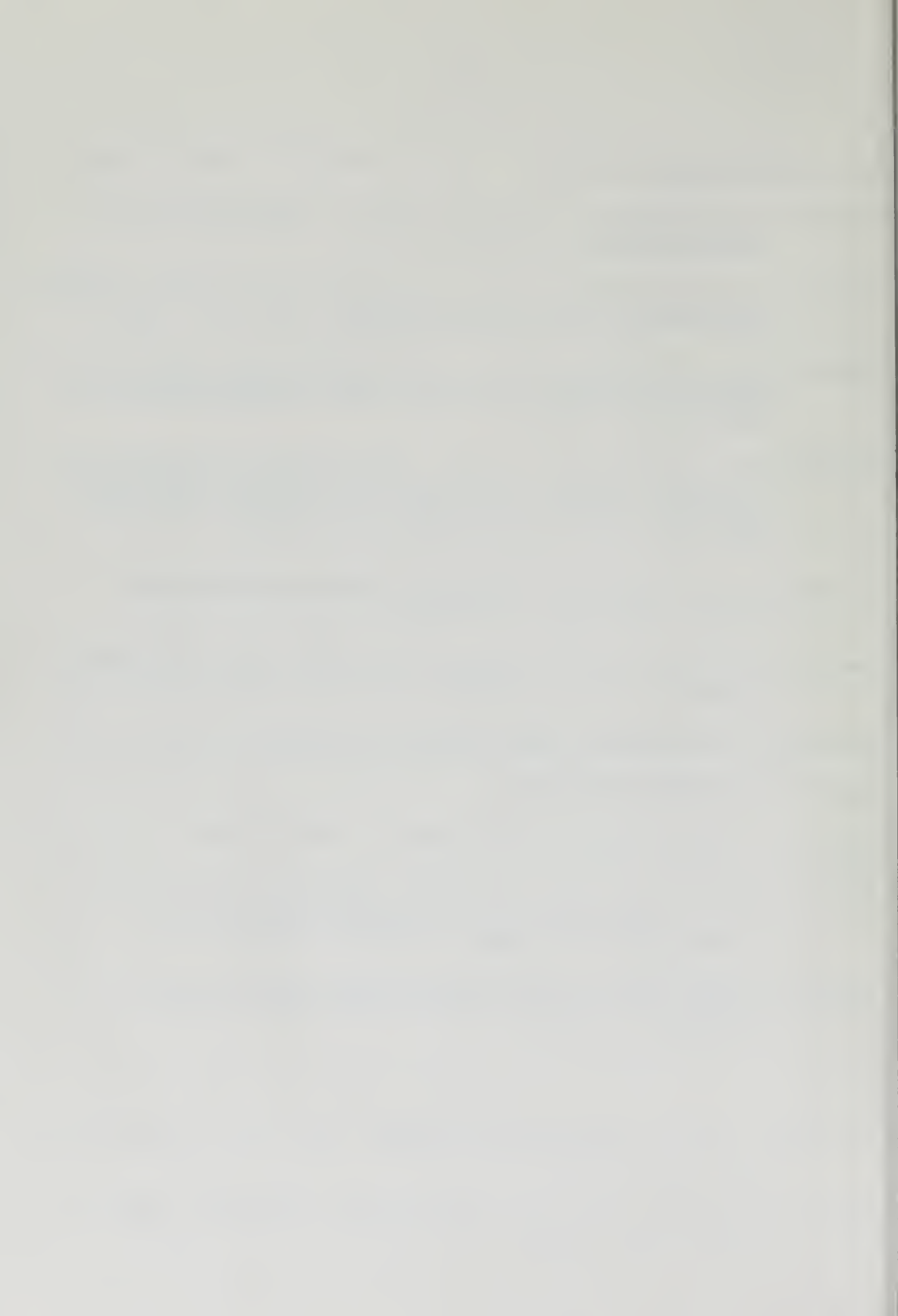
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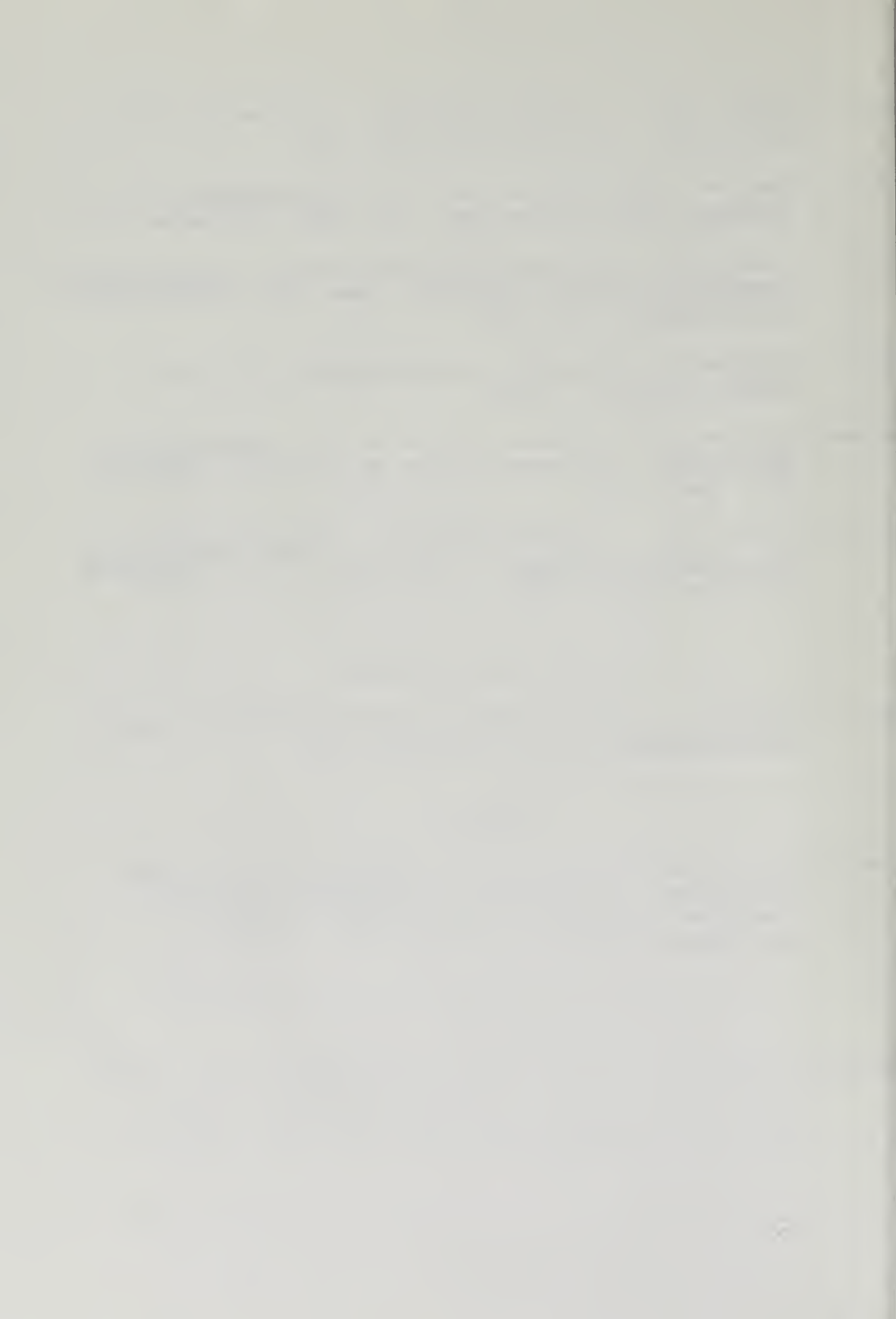
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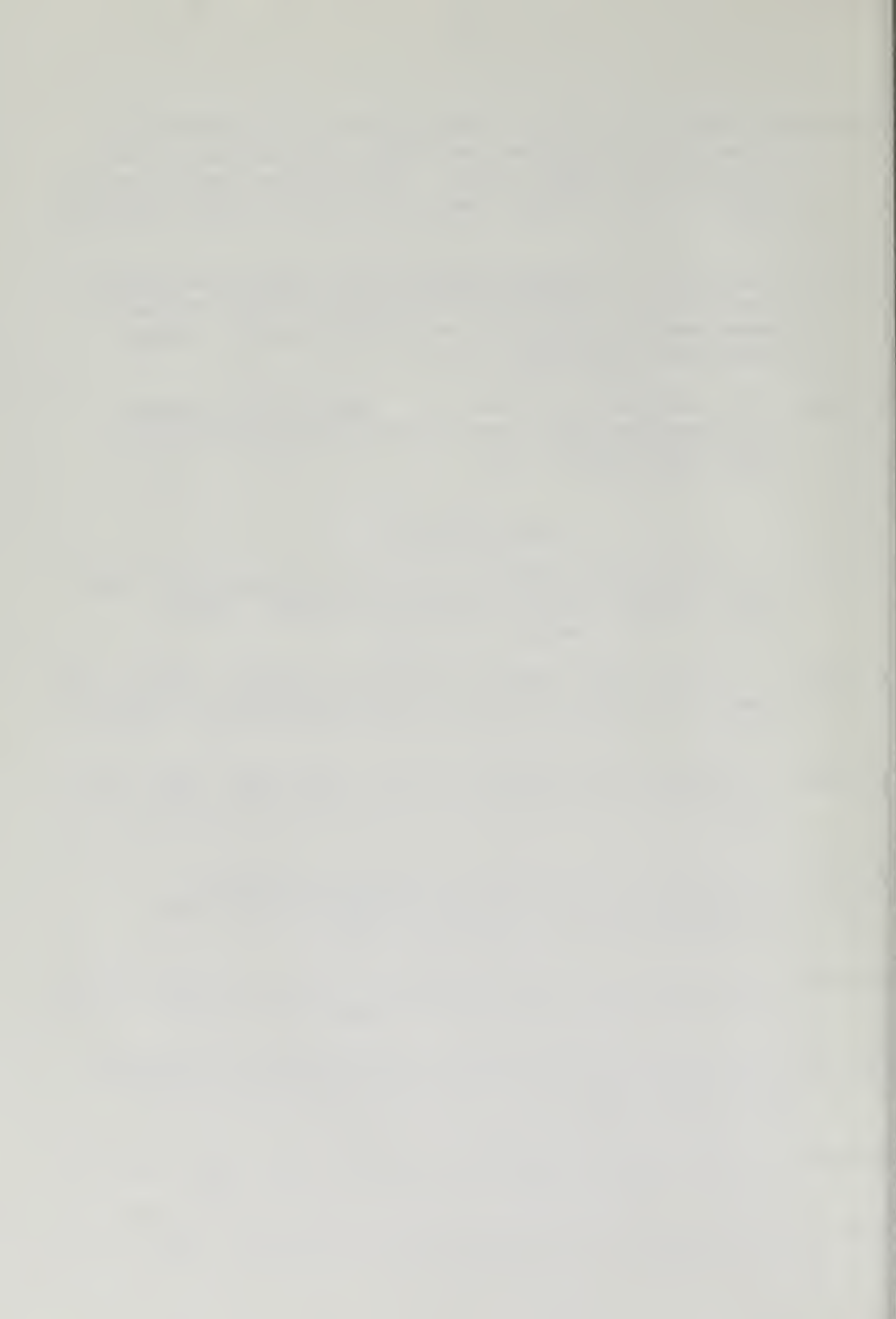
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